(dollars in thousands)

Credit Risk

The Investment Policy provides that investments of the SLPD be rated in one of the three highest ratings categories by Moody's Investors Service, Standard & Poor's Corporation, or Fitch's Ratings Service.

The SLPD's investments in Federal Home Loan Mortgage Corp. notes as of June 30, 2005, were rated AAA by Moody's Investor Service and Standard & Poor's.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of a counterparty, the SLPD will not be able to recover the value of the investments or collateral securities that are in the possession of the counterparty.

The Investment Policy requires that all cash deposits, time certificates of deposit, deposits with listed institutions, and repurchase agreements be covered by adequate pledged collateral. Acceptable collateral includes U.S. Treasury obligations, other interest-bearing securities guaranteed as to principal and interest by the U.S. or an agency or instrumentality of the U.S., bonds of the State, or bonds of the City. The market value of the principal and accrued interest of the collateral must equal 103% of the deposits secured, less any amount subject to federal deposit insurance. All SLPD securities and securities pledged as collateral must be held in a segregated account on behalf of the SLPD by an independent third-party with whom the SLPD has a current custodial agreement and has been designated by the Board of Police Commissioners to serve is such capacity.

At June 30, 2005, all SLPD investments and all collateral securities pledged against SLPD deposits are held by the counterparty's trust department or agent in the SLPD's name.

Concentration of Credit Risk

At June 30, 2005, the concentration of the SLPD's investments (excluding cash deposits) was as follows:

	Concentration
Federal Home Loan Mortgage Corp.	79.0%
Money Market Mutual Funds	21.0%
	100.0%

d. Component Unit—HSTRC

At May 31, 2005, the carrying amount of HSTRC's cash deposits was $40 and was insured by the Federal Deposit Insurance Corporation (FDIC).

(dollars in thousands)

e. Component Unit—SWMDC

At June 30, 2005, the carrying amount and bank balance of SWMDC's cash deposits was $784. Of the bank balance, $100 was insured by the FDIC and $684 was uncollateralized. SWMDC's investments of $670 at year-end consisted entirely of Federal Home Loan Mortgage Corporation Securities with less than one year to maturity and rated A-1+ by Standard & Poor's Corporation.

3. RECEIVABLES, NET

		Taxes	Intergovern-mental	Charges for Services	Notes and Loans	Other	Total Receivables
Governmental activities:							
General fund	$	86,244	2,151	2,346	—	737	91,478
Capital projects fund		2,600	738	—	—	—	3,338
Grants fund		—	3,454	—	—	—	3,454
Other governmental funds		21,231	37	1,204	131	7	22,610
Internal service funds		—	—	—	—	—	—
Total governmental activities	$	110,075	6,380	3,550	131	744	120,880
Business-type activities:							
Airport	$	—	3,457	3,109	—	1,557	8,123
Water Division		—	—	5,402	—	—	5,402
Parking Division		—	—	55	—	—	55
Total business-type activities	$	—	3,457	8,566	—	1,557	13,580

All amounts are scheduled for collection during the subsequent fiscal year.

4. ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

The allowance for uncollectible accounts, which has been deducted from the related receivable in the government-wide statement of net assets and fund financial statements, consists of the following balances:

Governmental activities:		
Taxes receivable—general fund	$	940
Taxes receivable—other governmental funds		142
Charges for services receivable—general fund		57
Charges for services receivable—other governmental funds		399
Business-type activities:		
Charges for services receivable—Airport		411
Charges for services receivable—Water Division		2,902
	$	4,851

5. COMPONENT UNIT—SLDC RECEIVABLES

SLDC receivables consist principally of small business commercial loans to facilitate development activities. The commercial loans were financed utilizing funds provided by the Community Development Agency

(dollars in thousands)

(CDA) of the City, the Economic Development Administration, and the State. The proceeds from any repayment of these loans are payable back to the funding source. Thus, a corresponding liability has been recorded.

6. RESTRICTED ASSETS

a. Airport

Cash and investments, restricted in accordance with City ordinances and bond provisions, are as follows at June 30, 2005:

Airport bond fund:		
Debt service account	$	53,869
Debt service reserve account		41,276
Airport renewal and replacement fund		3,500
Passenger facility charge fund		4,757
Airport development fund		67,651
Airport construction fund		202,385
Airport contingency fund		2,056
	$	375,494

City ordinances require that revenues derived from the operation of the Airport be deposited into the unrestricted Airport Revenue Fund. From this fund, the following allocations are made (as soon as practicable in each month after the deposit of revenues, but no later than five business days before the end of each month) in the following order of priority:

1) *Unrestricted Airport Operation and Maintenance Fund*: an amount sufficient to pay the estimated operation and maintenance expenses during the next month.

2) *Airport Bond Fund*: for credit to the Debt Service Account, if and to the extent required, so that the balance in said account shall equal the accrued aggregate debt service on the bonds, to the last day of the then current calendar month. This account shall be used only for payment of bond principal and interest as the same shall become due.

3) *Airport Bond Fund*: for credit to the Debt Service Reserve Account: an amount sufficient to maintain a balance in such account equal to the debt service reserve requirement (an amount equal to the greatest amount of principal and interest due in any future fiscal year). This account shall be available for deficiencies in the Debt Service Account on the last business day of any month, and the balance shall be transferred to the debt service account whenever the balance in the Debt Service Account (before the transfer) is not sufficient to fully pay all outstanding bonds.

4) *Airport Renewal and Replacement Fund*: an amount equal to $57, provided that no deposit shall be required to be made into said fund whenever and as long as uncommitted moneys in said fund are equal to or greater than $3,500 or such larger amount as the City shall determine is necessary for purposes of said fund; and provided further that, if any such monthly allocation to said fund shall be

less than the required amounts, the amount of the next succeeding monthly payments shall be increased by the amount of such deficiency. This fund shall be used for paying costs of renewal or replacement of capital items used in connection with the operation of the Airport.

5) *A sub-account in the Airport Revenue Fund*: an amount determined from time-to-time by the City, such that if deposits were made in amounts equal to such amount in each succeeding month during each Airport fiscal year, the balance in such sub-account shall equal the amounts payable to the City with respect to such Airport fiscal year for the payment of 5% of gross receipts from operations of the Airport. A maximum of 80% of the monthly transfer to this sub-account may be paid to the City during the Airport's fiscal year. The final installment may only be paid to the City upon delivery of the Airport's audited financial statements to the Airport Bond Fund Trustee.

6) *Airport Contingency Fund*: an amount determined at the discretion of Airport management, to be used for the purchase or redemption of any bonds; payments of principal or redemption price of interest on any subordinated debt; improvements, extensions, betterments, renewals, replacements, repairs, maintenance, or reconstruction of any properties or facilities of the Airport; or the provision of one or more reserves. These funds can also be used for any other corporate purpose of the Airport, the local airport system, or other local facilities that are owned or operated by the City and are directly related to the actual transportation of passengers or property.

7) The remaining balance in the Revenue Fund shall be deposited into the Airport Development Fund. This fund shall be used for extensions and improvements to the Airport, including equipment acquisition.

City ordinances provide that, in the event the sum on deposit in the Airport Bond Fund—Debt Service and Debt Service Reserve Accounts are insufficient to pay accruing interest, maturing principal or both, the balance in the Airport Contingency Fund, Airport Development Fund, and Airport Renewal and Replacement Fund may be drawn upon, to the extent necessary, to provide for the payment of such interest, principal, or both. Any sums so withdrawn from these accounts for said purposes shall be restored thereto in the manner provided for in their original establishment. City ordinances also provide that the principal proceeds from the sale of Airport revenue bonds shall be held in the Airport Construction Fund from which they shall be disbursed for the purposes contemplated in these ordinances.

(dollars in thousands)

b. Water Division

Cash and investments restricted in accordance with City ordinances at June 30, 2005 are as follows:

Bond funds:	
Waterworks bond and interest Account	$ 3,614
Water revenue bond reserve account	3,559
Water replacement and improvement account	701
Total bond funds	7,874
Construction funds	8,296
Customer deposits	1,635
	$ 17,805

City ordinances require that revenues derived from the operation of the Waterworks System be deposited in the Waterworks Revenue Account. From this account, the following allocations are made on the first business day of each month in the following order of priority:

1) 1994 Water Revenue Bond Funds

1) To the unrestricted Waterworks Operations and Maintenance Account, an amount sufficient to pay the estimated operation and maintenance expenses during the next month.

2) To the Waterworks Bond and Interest Account, an amount at least equal to 1/6 of the amount of interest that will come due on the next interest payment date, plus an amount at least equal to 1/12 of the aggregate principal amount of bonds that will come due on the next bond maturity date. This account is to be used only for the payments of bonds principal and interest, as the same shall become due.

3) To the Water Revenue Bond Reserve Account, a sum equal to the maximum principal and interest coming due on any fiscal year on the bonds.

4) To the Water Replacement and Improvement Account, an amount equal to $25 per month until the account balance aggregates $700. This account shall be used for making replacements, extensions, and improvements to the Waterworks System, and for the purpose of meeting unforeseen contingencies and emergencies arising in the operation of the Waterworks System of the City.

5) The remaining balance in the Waterworks Revenue Fund is to be deposited into the unrestricted Water Contingent Account. This account shall be used for paying the cost of the operation, maintenance, and repair of the Waterworks System; paying the cost of extending, improving, or making replacements to the Waterworks System; preventing default in, anticipating payments into, or increasing the amounts in the other accounts; paying any gross receipts tax now or hereafter levied by the City; paying the principal or the interest on any subordinate or junior

lien bonds; paying any redemption premium due on the bonds; or any other lawful purpose for use by the Waterworks System.

2) 1998 Water Revenue Bond Funds

To the Water Revenue Bond Reserve Account, a sum equal to the maximum principal and interest coming due in any fiscal year on the bonds.

3) Construction Funds

City ordinances also provide that the principal proceeds from the sale of Series 1994 Revenue Bonds and amounts appropriated from the Water Contingent Account shall be held in the Construction Fund, from which they shall be disbursed for the purposes contemplated in these ordinances.

4) Customer Deposits

City ordinances provide that amounts paid by customers as deposits on water meters, construction, and unclaimed meter deposits be held in escrow until such time as they are returned to customers in the form of cash or as a credit on the applicable customer's water bill.

5) Service Line Maintenance

In accordance with a City ordinance, the Water Division collects a $3.00 (in dollars) per quarter surcharge from flat-rate and metered residential customers having six or less dwelling units. These funds are deposited in the service line maintenance account. This account, including interest earned, is used to pay for the repair of certain portions of the water lines for these customers.

(dollars in thousands)

c. Parking Division

Cash and investments restricted in accordance with revenue bond indentures at June 30, 2005 are as follows:

Series 2002, 1999, and 1996 bonds:		
Debt service reserve	$	5,499
Construction		—
Debt service		950
Parking trust—Parking Division accounts		4,887
Total series 2002, 1999, and 1996 bonds		11,336
Series 2003A and 2003B bonds:		
Gross revenues		149
Bond		88
Repair and replacement		16
Operating reserve		42
Redemption		6
Total series 2003A and 2003B bonds		301
	$	11,637

The June 30, 2005 restricted assets are required by the Series 2003A, 2003B, 2002, 1999, and 1996 bond indentures. Descriptions of the above funds required by the Series 2002, 1999, and 1996 Bond indentures are as follows:

1) *Debt service reserve*—Maintains funds from the proceeds of the respective bond series to be available to pay principal of and interest on the respective bonds if other funds are not available

2) *Construction*—Used to pay construction costs to complete the respective projects

3) *Debt Service* – Moneys deposited into this account pay principal and accrued and unpaid interest on the respective bonds

4) *Parking Trust*—Parking Division Accounts—Maintains funds transferred from the respective bond account to be available to pay principal and interest on the respective refunded bonds if other funds are not available

The Series 1999 and 1996 Bond indentures specify how funds are to be deposited into these restricted accounts. Payment for the bonds will be made first from net project revenues. The treasurer is required to collect on a daily basis all net project revenues and, by the 10th business day of each month, the treasurer is required to deposit into the Treasurer's Parking Facilities Debt Service Account such net project revenues in the following order of priority, first for transfer to the trustee for deposit (a) into the Debt Service Fund for each series of bonds outstanding the amount of moneys required to meet the debt service requirements for such series for at least one bond year; (b) into the Debt Service Reserve Fund for each series of bonds outstanding amounts, if any, required to cure any deficiency in such Debt Service Reserve Fund; (c) into the series account in the Parking Trust Fund for each series of bonds outstanding to repay, on a pro rata basis, but subject to the Indenture, any amounts drawn from the Parking Division Account in the Parking Trust Fund and the Traffic Violations Bureau (TVB) account in the Parking Trust Fund in connection with the bonds; and (d) into the Treasurer's Parking Facilities Renewal and Replacement Account to the extent required in the indenture. If there are insufficient net project revenues to make the payments provided herein as the same become due, a pro rata amount shall be deposited for each series of bonds and the treasurer shall pay out of the net project revenues received by the treasurer during the next succeeding months, to the extent there are surplus funds remaining after the required deposits for such months, such sums as are necessary to make up such shortfalls.

The Series 2002 Bonds are subordinated bonds, meaning that Parking Division revenues are applied to the Series 2002 Bond accounts only after the other bond accounts have been satisfied. Payment for the Series 2002 Bonds will be made first from net project revenues. The treasurer is required to collect on a daily basis all receipts from the financed facilities and deposit such funds in the Treasurer's Parking Facilities Subordinated Revenue Account. By the 10th day of each month, net project revenues attributable to the financed facilities, on a modified cash basis, for the preceding month, shall be transferred to the trustee for deposit in the net project revenues account of the Revenue Fund. Promptly upon receipt, the trustee shall transfer moneys held in the net Project Revenues Account, first, to the Interest Account of the Debt Service Fund until the amount on deposit in such account equals the amount required to pay interest on the bonds on the next interest payment date and, second, to the Principal Account of the Debt Service Fund until the amount on deposit therein equals the amount required to pay the principal of, including any redemption premium related to, the bonds on the next principal payment date which is not more than one year after the date of deposit. Any moneys remaining after such deposits shall be transferred; first, to the Debt Service Reserve Fund until the amount on deposit therein is equal to the Debt Service Reserve Fund requirement; second, to the Special Reserve Fund, if and to the extent required by the indenture; third, to the Treasurer's Parking Facilities Subordinated Renewal and Replacement Account, until the amount on deposit therein is equal to the amount, if any, established by the treasurer based on the recommendation of a consultant selected by the Parking Commission of the City of St. Louis and any moneys remaining thereafter shall then be released to the treasurer free and clear of the lien of the indenture.

Descriptions of the funds required by the Series 2003A and 2003B bond indenture are as follows:

1) *Gross Revenues*—Maintains revenues resulting from the operations of the Cupples Garage and uses these to pay the operating and debt service costs associated with the Cupples Garage

2) *Bonds*— Moneys deposited into this account pay principal and accrued and unpaid interest on the Series 2003A and 2003B Bonds

3) *Repair and Replacement*—Provides for the repair and upkeep of the Cupples Garage

4) *Operating Reserve*—Maintains operating reserve as required by the Bond indenture

5) *Redemption*—Maintains funds set aside for the future redemption of the Series 2003A and 2003

(dollars in thousands)

Bonds

As specified by the Series 2003A and 2003B bond indenture, the revenues from the operation of the Cupples Garage are deposited into the Gross Revenues Fund. By the 25th of each month, the Trustee is required to first pay from the Gross Revenue Fund all operating expenses associated with the Cupples Garage, all rent for surface lots surrounding the Cupples Garage, and all fees due to the Trustee. Secondly, the Trustee is required to transfer from the Gross Revenues Fund to the Bond Fund an amount equal to the debt service required to be paid on the next interest payment date for the Series 2003A and 2003B Bonds. Thirdly, the Trustee is required to transfer 1% of the gross revenues received during the month to the Repair and Replacement Fund, provided that the balance in the Repair and Replacement Fund does not exceed $250. Fourthly, the Trustee is required to transfer from the Gross Revenue Fund to the Operating Reserve Fund any amount necessary to bring the Operating Reserve Fund to the $100 balance required by the Bond indenture. Fifthly, the Trustee is required to transfer 75% of the remaining balance in the Gross Revenue Fund to the Redemption Fund. Finally, the Trustee is required to transfer any remaining balance in the Gross Revenue Fund to the Parking Division as a management fee.

d. Component Unit—SLDC

Restricted cash and investments at June 30, 2005 are as follows:

Bond funds	$	2,049

Cash and investments restricted in accordance with the SLDC Parking Facilities Revenue Refunding Bonds, Series 1999, Bond Indenture consist of a Bond Reserve Account in the amount of $2,049.

The revenue bond indenture requires that gross operating revenues be paid to the bond trustee for deposit in the Parking Facility Fund. From this fund, the revenues are to be applied by the trustee to various reserve accounts including principal and interest, repair and replacement, and operating reserve up to specified limits.

e. Component Unit—SLPD

SLPD restricted assets of $679 at June 30, 2005 represent mutual funds restricted in accordance with debt covenants.

(dollars in thousands)

7. CAPITAL ASSETS

a. Primary Government

The following is a summary of changes in capital assets—governmental activities for the year ended June 30, 2005:

	Balance June 30, 2004	Additions	Retirements	Transfers	Balance June 30, 2005
Governmental activities:					
Capital assets not being depreciated:					
Land	$ 77,388	31	—	—	77,419
Construction in progress	85,644	18,501	—	(24,390)	79,755
Works of art	2,804	19	—	132	2,955
Total capital assets not being depreciated	165,836	18,551	—	(24,258)	160,129
Capital assets being depreciated:					
Buildings	391,437	751	—	3,719	395,907
Improvements other than buildings	69,514	1,356	—	2,288	73,158
Equipment	94,754	6,085	(1,818)	—	99,021
Infrastructure	379,727	11,689	—	18,251	409,667
Total capital assets being depreciated	935,432	19,881	(1,818)	24,258	977,753
Less accumulated depreciation for:					
Buildings	90,015	10,728	—	—	100,743
Improvements other than buildings	13,929	1,698	—	—	15,627
Equipment	43,711	6,170	(1,375)	—	48,506
Infrastructure	176,858	18,599	—	—	195,457
Total accumulated depreciation	324,513	37,195	(1,375)	—	360,333
Total capital assets being depreciated, net	610,919	(17,314)	(443)	24,258	617,420
Governmental activities capital assets, net	$ 776,755	1,237	(443)	—	777,549

Construction in progress consists primarily of firehouse renovations and street and bridge projects.

(dollars in thousands)

The following is a summary of changes in capital assets – business-type activities for the year ended June 30, 2005. Business-type activities for the City include the Airport, Water Division, and Parking Division.

	Balance June 30, 2004	Additions	Retirements	Transfers	Balance June 30, 2005
Business-type activities:					
Combined:					
Capital assets not being depreciated:					
Land	$ 807,497	44,159	(175)	—	851,481
Construction-in-progress	390,496	150,211	—	(13,001)	527,706
Total capital assets not being depreciated	1,197,993	194,370	(175)	(13,001)	1,379,187
Capital assets being depreciated:					
Buildings and structures	460,863	944	—	4,951	466,758
Equipment	70,160	2,261	(392)	156	72,185
Pavings	303,536	185	—	7,120	310,841
Parking meters and lot equipment	5,271	770	—	—	6,041
Reservoirs	34,393	—	—	55	34,448
Boiler plant equipment	661	—	—	—	661
Pumping equipment	8,415	—	—	177	8,592
Purification basins and equipment	37,945	14	—	267	38,226
Water mains, lines, and accessories	103,130	2,438	(29)	275	105,814
Motor vehicle equipment	8,319	217	(183)	—	8,353
Total capital assets being depreciated	1,032,693	6,829	(604)	13,001	1,051,919
Less accumulated depreciation for:					
Buildings and structures	242,224	6,120	(161)	—	248,183
Equipment	44,109	14,541	(205)	—	58,445
Pavings	174,024	10,591	—	—	184,615
Parking meters and lot equipment	3,287	409	—	—	3,696
Reservoirs	5,317	663	—	—	5,980
Boiler plant equipment	612	3	—	—	615
Pumping equipment	7,318	152	—	—	7,470
Purification basins and equipment	9,325	731	—	—	10,056
Water mains, lines, and accessories	45,522	1,283	(19)	—	46,786
Motor vehicle equipment	4,370	563	(165)	—	4,768
Total accumulated depreciation	536,108	35,056	(550)	—	570,614
Total capital assets being depreciated, net	496,585	(28,227)	(54)	13,001	481,305
Business-type activities capital assets, net	$ 1,694,578	166,143	(229)	—	1,860,492

Construction-in-progress consists primarily of various improvements at the Airport to the airfield and terminal buildings, as well as property purchased on which the Airport's expansion facilities will be constructed.

(dollars in thousands)

Within the statement of activities, depreciation expense is charged to functions of the primary government as follows:

Governmental activities:		
General government	$	5,790
Convention and tourism		4,247
Parks and recreation		2,924
Judicial		347
Streets		20,810
Public safety:		
Fire		1,683
Other		765
Health and welfare		416
Public service		213
Total depreciation expense, governmental activities	$	37,195
Business-type activities:		
Airport	$	28,588
Water Division		4,470
Parking Division		1,998
Total depreciation expense, business-type activities	$	35,056

(dollars in thousands)

b. Component Unit—SLDC

The following is a summary of changes in SLDC capital assets for the year ended June 30, 2005:

	Balance June 30, 2004	Additions	Retirements	Balance June 30, 2005
Capital assets not being depreciated:				
Land	$ 4,914	—	—	4,914
Total capital assets not being depreciated	4,914	—	—	4,914
Capital assets being depreciated:				
Leasehold improvements	3,000	—	—	3,000
Equipment	643	5	—	648
Parking facilities	18,897	—	—	18,897
Total capital assets being depreciated	22,540	5	—	22,545
Less accumulated depreciation for:				
Leasehold improvements	700	200	—	900
Equipment	634	5	—	639
Parking facilities	8,051	548	—	8,599
Total accumulated depreciation	9,385	753	—	10,138
Total capital assets being depreciated, net	13,155	(748)	—	12,407
SLDC capital assets, net	$ 18,069	(748)	—	17,321

(dollars in thousands)

c. Component Unit—SLPD

The following represents a summary in SLPD's capital assets for the year ended June 30, 2005:

		Balance June 30, 2004	Additions	Retirements	Balance June 30, 2005
Capital assets not being depreciated:					
Land	$	1,646	—	—	1,646
Total capital assets not being depreciated		1,646	—	—	1,646
Capital assets being depreciated:					
Buildings and improvements		32,371	6,358	—	38,729
Furniture, fixtures, and other equipment		2,410	682	(263)	2,829
Automotive equipment		8,528	1,529	(1,091)	8,966
Communications equipment		4,639	52	—	4,691
Computers and software		2,487	472	(103)	2,856
Aircraft		258	—	—	258
Total capital assets being depreciated		50,693	9,093	(1,457)	58,329
Less accumulated depreciation for:					
Buildings and improvements		15,431	537	—	15,968
Furniture, fixtures, and other equipment		1,615	357	(255)	1,717
Automotive equipment		6,116	1,611	(1,032)	6,695
Communications equipment		3,845	191	—	4,036
Computers and software		1,360	389	(62)	1,687
Aircraft		226	24	—	250
Total accumulated depreciation		28,593	3,109	(1,349)	30,353
Total capital assets being depreciated, net		22,100	5,984	(108)	27,976
SLPD capital assets, net	$	23,746	5,984	(108)	29,622

(dollars in thousands)

d. Component Unit—SWMDC

		Balance June 30, 2004	Additions	Retirements	Balance June 30, 2005
Capital assets being depreciated:					
Infrastructure	$	7,555	385	—	7,940
Total capital assets being depreciated		7,555	385	—	7,940
Less accumulated depreciation for:					
Infrastructure		2,161	250	—	2,411
Total accumulated depreciation		2,161	250	—	2,411
SWMDC capital assets, net	$	5,394	135	—	5,529

8. COMPONENT UNIT—SLDC PROPERTY HELD FOR DEVELOPMENT

SLDC property held for development consists primarily of land and property held for sale or other development purposes. This land and property is reported in SLDC's financial statements based on management's intent of ultimate disposition of the property. Proceeds received upon the sale of most of these properties will revert back to the funding source. At June 30, 2005, SLDC has established a reserve for impairment of $5,841 on its properties held for development.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		Vendors	Contracts and retainage payable	Total
Government activities:				
General fund	$	3,038	313	3,351
Capital projects fund		—	6,371	6,371
Grants fund		6,404	—	6,404
Other governmental funds		828	—	828
Internal service		466	—	466
Total governement activities	$	10,736	6,684	17,420
Business-type activities:				
Airport	$	3,953	29,145	33,098
Water Division		2,095	—	2,095
Parking Division		165	11	176
Total business-type activities	$	6,213	29,156	35,369

(dollars in thousands)

10. RETIREMENT PLANS

The City contributes to three defined benefit retirement plans. The Firemen's Retirement System of St. Louis (Firemen's System) and the Police Retirement System of St. Louis (Police System) are single-employer plans. The Employees' Retirement System of the City of St. Louis (Employees' System) is a cost-sharing multiple-employer plan. However, due to the City's participation in the Employees' System being greater than 99% of the total participation of all employers, the disclosures provided for the Employees' System are those for a single-employer plan. Each system is administered by a separate board of trustees, who are partially appointed by City officials, plan participants, and the governor of the State (Police System only). For financial reporting purposes, these retirement systems are included as fiduciary pension trust funds of the City. Financial information for these funds has been included within the accompanying basic financial statements as of each System's fiscal year-end, which falls within the City's current fiscal year-end as follows:

System	System Fiscal Year-end
Firemen's	September 30, 2004
Police	September 30, 2004
Employees'	September 30, 2004

During the current period, the Firemen's System changed its fiscal year to October 1 through September 30 so it would end at a calendar quarter for accounting purposes. The activity included on the Statement of Changes in Fiduciary Net Assets includes a 13 month period as a one-time adjustment to change the Firemen's System's fiscal year-end. All future periods will be 12 months.

a. *Firemen's Retirement System of St. Louis*

1) System Description

All firefighters qualify as members of the Firemen's System and are thereby eligible to participate from their date of hire.

The Firemen's System issues a publicly available financial report that includes financial statements and supplementary information. That information may be obtained by writing to the Firemen's Retirement System of St. Louis, 1601 South Broadway, St. Louis, Missouri, 63104.

Firefighters may elect voluntary retirement after 20 or more years of service. The monthly allowance consists of 40% of the final two-year average monthly compensation at 20 years of service, plus 2% of such final average compensation for each of the next five years of service, plus 5% of final average compensation for each additional year of service over 25 years with a maximum pension of 75%. Unused accrued sick pay may increase the maximum pension beyond the 75% limitation.

The Firemen's System also provides death and disability benefits. Benefits vest after 20 years of service. Such benefits are authorized by State statues and adopted by City ordinance.

The Firemen's System, in accordance with Ordinance 62994 of the City, initiated during the Firemen's System's fiscal year ended August 31, 1994, the Deferred Retirement Option Plan (DROP). The DROP is available to members of the Firemen's System who have achieved at least

(dollars in thousands)

20 years of creditable service and have eligibility for retirement. Those members who elect to participate will continue active employment, will have a service retirement allowance credited monthly into the DROP account of the member, and the member's contribution will be reduced to 1% from the normal 8%. During participation in the DROP, the member will not receive credit for City contributions or credit for service. A member may participate in the DROP only once for any period up to five years. At retirement, the funds in the member's DROP account plus interest and accrued sick leave, if elected, is available to the member in a lump sum or in installments.

2) Funding Policy

Firefighters are required to contribute 8% of their compensation to the Firemen's System, as mandated per the State statute and adopted by City ordinance. The City is required to contribute the remaining amounts necessary to fund the Firemen's System. Members of the Firemen's System are entitled to a lump-sum distribution of the entire amount of their contribution without interest upon service retirement. Members whose employment terminates prior to retirement are entitled to a lump-sum distribution of their contribution, plus interest thereon.

3) Annual Pension Cost and Net Pension Asset

The City's annual pension cost and net pension asset to the Firemen's System for the year ended June 30, 2005 are as follows:

Annual required contribution	$ (9,722)
Interest on net pension asset	1,651
Adjustment to annual required contribution	(1,855)
Annual pension cost	(9,926)
Contributions made	2,055
Decrease in net pension asset	(7,871)
Net pension asset, beginning of year	21,647
Net pension asset, end of year	$ 13,776

The net pension asset of $13,776 as of June 30, 2005, is reflected as a net pension asset within governmental activities in the government-wide financial statements.

Historical trend information about the City's participation in the Firemen's System is presented below to help readers assess the Firemen's System's funding status on a going-concern basis and assess progress being made in accumulating assets to pay benefits when due.

(dollars in thousands)

Fiscal Year		Annual Pension Cost (APC)	Percentage of APC Contributed		Net Pension Asset
2005	$	9,926	21%	$	13,776
2004		4,517	46		21,647
2003		3,595	94		24,086

Significant actuarial assumptions used in the valuation of the Firemen's System are as follows:

Date of actuarial valuation	October 1, 2004
Actuarial cost method	Entry age-frozen liability method
Amortization method	30 years from establishment, closed-period
Remaining amortization period	Various
Asset valuation method	3-year smooth market
Inflation rate	3.500%, per year
Investment rate of return	7.625%, compounded annually
Projected salary increases	4.500%, per year to retirement age
Projected postretirement benefit increases	5.000%

4) Lawsuit

The Firemen's System has filed lawsuits against the City and the Board of Estimate and Apportionment to require the City to contribute the actuarially determined annual contribution for the Firemen's System for the City's 2004 and 2005 fiscal years. The City received an unfavorable ruling in the initial court proceedings, and has appealed the decision. The City Counselor's Office has determined that it is probable that the City will be required to remit these contributions. However, no additional liability has been recorded as the net pension asset already recorded reflects the City's overpayment or underpayment of actuarially determined annual required contributions to the Firemen's System Plan at June 30, 2005. A similar lawsuit has been filed against the City by the Firemen's System relating to fiscal year 2006 contributions.

b. *Police Retirement System of St. Louis*

1) System Description

All persons who become police officers and all police officers that enter or reenter SLPD after October 1, 1957 become members of the Police System and are thereby eligible to participate from their date of hire. The Police System issues a publicly available financial report that includes financial statements and supplementary information. That information may be obtained by writing to the Police Retirement System of St. Louis; One South Memorial Drive, Suite 600; St. Louis, Missouri, 63102-2447.

Police officers may elect voluntary retirement after 20 or more years of credited service regardless of age or upon attaining age 55. The monthly allowance consists of 40% of the two-year (three-year prior to October 1, 2001) average final compensation for the first 20 years of service, plus 2% of such final average compensation for each of the next five years of service, plus 4% of average final compensation for each additional year of service after 25 years up to a maximum of 30 years. The monthly allowance of members who have at least 30 years of service is increased by 5%. The maximum pension is 75% of average final compensation. The Police System also provides death and disability benefits. Benefits vest after 20 years of service. Such benefits are established by the State statute.

(dollars in thousands)

During the Police System year ended September 30, 1996, DROP benefit provisions were added. The DROP option is available to members of the Police System who have at least 20 years of creditable service and have achieved eligibility for retirement. Those members who elect to participate will continue active employment, will have a service retirement allowance credited monthly in the DROP account, and will no longer make contributions to the Police System. During participation in the DROP, the member will not receive credit for service and the member shall not share in any benefit improvement that is enacted or becomes effective while such member is participating in the DROP. A member may participate in the DROP only once for any period up to five years. At retirement, the funds in the member's DROP account plus interest is available to the member in a lump sum or in installments.

2) Funding Policy

Police officers are required to contribute 7% of their compensation to the Police System per State statute. The City is required to contribute the remaining amounts necessary to fund the Police System, determined in accordance with City ordinances. Upon leaving employment due to service retirement, death, or disability due to an accident in the actual performance of duty (prior to October 1, 2001, only if 100% disabled), the member's contributions are refunded. Members whose employment terminates prior to retirement are entitled to a lump-sum distribution of their contribution plus interest thereon.

3) Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation to the Police System for the year ended June 30, 2005 are as follows:

Annual required contribution	$ (11,664)
Interest on net pension obligation	(423)
Adjustment to annual required contribution	602
Annual pension cost	(11,485)
Contributions made	4,047
Increase in net pension obligation	(7,438)
Net pension obligation, beginning of year	(5,460)
Net pension obligation, end of year	$ (12,898)

The net pension obligation of $12,898 is reflected as a long-term liability within governmental activities in the government-wide financial statements.

(dollars in thousands)

Historical trend information about the City's participation in the Police System is presented below.

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2005	$ 11,485	35%	$ (12,898)
2004	9,576	43	(5,460)
2003	–	–	–

Significant actuarial assumptions used in the valuation of the Police System are as follows:

Date of actuarial valuation	October 1, 2004
Actuarial cost method	Aggregate (this method does not identify or separately amortize unfunded actuarially accrued liabilities)
Asset valuation methods	5-year smoothed average of market value
Inflation rate	3.00%, per year
Investment rate of return	7.75%, per year
Projected salary increases	3.50 – 7.00%, varying by age
Projected postretirement benefit increases	3.00% maximum per year, cumulative 30% cap

4) Lawsuit

The Police System has filed two lawsuits against the City and the Board of Estimate and Apportionment to require the City to contribute the actuarially determined annual contribution for the Police System for the City's 2004 and 2005 fiscal years. The City received an unfavorable ruling in the initial court proceedings for one of the lawsuits. The City has appealed the decision. The City Counselor's Office has determined that it is probable that the City will be required to remit these contributions. However, no additional liability has been recorded as the net pension obligation already recorded reflects the City's liability to the Police System plan at June 30, 2005. A similar lawsuit has been filed against the City by the Police System relating to fiscal year 2006 contributions.

c. *Employees' Retirement System of the City of St. Louis*

1) System Description

All non-uniformed employees of the City and certain other public entities funded by or providing services to residents of the City become members of the Employees' Retirement System upon employment with the exception of employees hired after attaining age 60.

The Employees' System issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing to the Employees' Retirement System of the City of St. Louis; 1300 Convention Plaza, Suite 217; St. Louis, Missouri 63103-1935.

The Employees' System provides for defined benefit payments for retirement, death, or disability to eligible employees or their beneficiaries based upon creditable service, final average compensation, and a benefit compensation base. Benefits vest to employees covered by the Employees' System after the employee has attained five years of creditable service. The board of trustees approves all withdrawals, benefits, and termination refunds from the Employees' System's assets. Normal retirement is at age 65 or if the employee's age and creditable service combined equal or exceeds 85. Employees may retire and receive reduced benefit after age 60, with five years of creditable service; age 55, with at least 20 years of creditable service; or at any age after 30 years of creditable service.

On June 8, 2000, the mayor of the City approved an ordinance passed by the board of aldermen, which established a DROP effective January 1, 2001. This plan states that when members reach retirement age, they are allowed to work for five additional years and defer receipt of their retirement allowance. The calculation of average salary for retirement benefits will not include the additional years of service after normal retirement age. The amount that would have been received as retirement benefit is put in a special DROP account monthly. The DROP account will not be adjusted for cost of living increases as the normal retirement benefits are. The DROP account earns interest at the actuarial valuation rate of return. After the member completely terminates employment, the member can withdraw amounts from the DROP account in a lump sum or according to a deferred retirement payment plan.

2) <u>Funding Policy</u>

Employer contribution rates are established annually by the board of trustees based on an actuarial study. Deductions from plan net assets are financed from plan additions. The board of trustees established the required employer contributions at a rate of 13.53% of active member payroll effective July 2004. The City contributed 6% of active member payroll effective July 2003 through the present.

Employees who became members of the Employees' System prior to October 14, 1977, and continued to make contributions, may make voluntary contributions to the Employees' System equal to 3% of their compensation until the employee's compensation equals the maximum annual taxable earnings under the Federal Social Security Act in effect on January 1 of the calendar year. Voluntary contributions of employees who enrolled in the Employees' System after October 13, 1977 may be made up to 6% of qualified employee compensation for the remainder of the calendar year. These voluntary contributions vest immediately.

(dollars in thousands)

3) Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation to the Employees' System for the year ended June 30, 2005, are as follows:

Annual required contribution	$	(30,926)
Interest on net pension obligation		(2,375)
Adjustment to annual required contribution		2,636
Annual pension cost		(30,665)
Contributions made		12,988
Increase in net pension obligation		(17,677)
Net pension obligation, beginning of year		(29,681)
Net pension obligation, end of year	$	(47,358)

The net pension obligation of $47,358 is reflected as a long-term liability within the accompanying basic financial statements as follows:

Governmental activities	$	(34,333)
Business-type activities		(8,663)
Component unit—SLPD		(4,362)
	$	(47,358)

Historical trend information about the City's participation in the Employees' System is presented below.

Fiscal Year		**Annual Pension Cost (APC)**	**Percentage of APC Contributed**	**Net Pension Obligation**
2005	$	30,665	42.35%	(47,358)
2004		31,837	41.03	(29,682)
2003		24,124	75.72	(10,907)

(dollars in thousands)

Significant actuarial assumptions used in the valuation of the Employees' System are as follows:

Date of actuarial valuation	October 1, 2004
Actuarial cost method	Projected unit credit
Amortization method and remaining period	Level dollar amount for unfunded liability, open
Remaining amortization period	30 years as of October 1, 2004
Actuarial value of assets	The book value at the beginning of the year, plus 25% of the difference between market value and book for the last four years, less the member savings fund
Investment rate of return	8.00%
Projected salary increases	3.00%
Projected postretirement benefit increases	5.00% per year, maximum cumulative increase of 25%.

d. Component Unit—SLDC

The SLDC Employees Retirement Plan and Trust (SLDC plan) is a defined contribution plan and became effective January 1, 1989. Required year-ended June 30, 2005 contributions of $287, which amount to 9% of current covered payroll, were made by SLDC. For the year ended June 30, 2005, SLDC's current covered payroll was $3,192 and total payroll amounted to $3,276. Employees are not required to contribute to the SLDC Plan; however, they can contribute up to 5.5% of their monthly compensation if they so elect. In order to be eligible under the SLDC Plan, the participant must be a full-time employee, have attained the age of 18, and have completed at least six months of active service. The employees vest at a rate of 33% per annum with full vesting occurring after the end of their third year of service. The SLDC Plan does not hold any employer or related-party securities. All plan investments are self-directed by the respective plan participants, within the limitations of the plan.

11. COMPONENT UNIT—SLPD POSTEMPLOYMENT HEALTHCARE AND LIFE INSURANCE

SLPD is obligated under Chapter 84.160 RSMo to provide healthcare and life insurance benefits for former civilian and commissioned employees who retired subsequent to 1969. Currently, SLPD provides healthcare insurance for 1,297 retirees, while 1,354 retirees were provided life insurance benefits. Under the life insurance plan, retirees are obligated to pay 12.6 cents for every $1,000 (in dollars) of coverage on a monthly basis. SLPD covers healthcare and other life insurance benefits for participants. These costs are accounted for on a pay-as-you-go basis and the cost to SLPD of providing these benefits to retirees was $4,989 (in dollars) per retiree for healthcare and $10 (in dollars) per retiree for life insurance for the fiscal year ending June 30, 2005.

12. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City and SLPD employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employees or other beneficiary) held in trust for the exclusive benefit of the employees. As such, the trust account and related liability are not included in the basic financial statements.

(dollars in thousands)

13. LONG-TERM LIABILITIES

a. Changes in Long-Term Liabilities

Following is a summary of the changes in long-term liabilities for the year ended June 30, 2005:

	Balance June 30, 2004	Additions	Reductions	Balance June 30, 2005	Due Within One Year
Governmental activities:					
General obligation bonds payable	$ 51,720	37,555	(40,810)	48,465	3,245
Section 108 Loan Guarantee Assistance Programs	72,500	–	(4,280)	68,220	4,550
Federal Financing Bank advances	805	–	(40)	765	40
Tax increment financing bonds and notes payable	30,692	12,964	(1,978)	41,678	2,140
Master note purchase agreement	181	–	(60)	121	–
Loan agreement with Missouri Department of Natural Resources	1,798	–	(325)	1,473	338
Loan agreement with Metro	–	1,000	–	1,000	–
Capital lease—rolling stock	9,011	851	(3,892)	5,970	605
Capital leases—other	90	–	(90)	–	–
Capital leases—Obligations with component units	51,420	–	(405)	51,015	420
Leasehold revenue improvement and refunding bonds	311,526	61,398	(32,025)	340,899	18,940
Joint venture financing agreement	73,542	–	(5,166)	68,376	1,053
Unamortized discounts, premiums, and deferred amounts on refunding	(413)	95	(114)	(432)	–
Net pension obligation	26,527	20,704	–	47,231	12,486
Accrued vacation, compensatory, and sick time benefits	26,401	17,954	(17,016)	27,339	17,915
Landfill closure	234	9	–	243	128
Claims and judgments payable	15,713	19,730	(18,039)	17,404	10,530
Governmental activities long-term liabilities	$ 671,747	172,260	(124,240)	719,767	72,390

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. Also, for the governmental activities claims and judgments payable, accrued vacation, compensatory and sick leave benefits, net pension obligations, and landfill closure costs are generally liquidated by the general fund.

(dollars in thousands)

	Balance, June 30, 2004	Additions	Reductions	Balance, June 30, 2005	Due Within One Year
Business-type activities:					
Airport:					
Revenue bonds payable	$ 930,510	–	(35,775)	894,735	23,390
Net pension obligation	2,987	1,663	–	4,650	–
Other	3,103	–	(1,099)	2,004	–
Accrued vacation, compensatory, and sick time benefits	4,837	3,334	(3,106)	5,065	5,065
Unamortized discounts, premiums, and deferred amounts on refunding	(1,487)	–	1,226	(261)	–
Total Airport	939,950	4,997	(38,754)	906,193	28,455
Water Division:					
Revenue bonds payable	36,685	–	(2,365)	34,320	2,500
Customer deposits	1,354	264	–	1,618	–
Net pension obligation	2,012	1,067	–	3,079	–
Other	448	–	(52)	396	–
Accrued vacation, compensatory, and sick time benefits	2,920	1,994	(1,485)	3,429	3,429
Unamortized discounts, premiums, and deferred amounts on refunding	(1,666)	–	288	(1,378)	–
Total Water Division	41,753	3,325	(3,614)	41,464	5,929
Parking Division:					
Revenue bonds payable	68,134	–	(1,870)	66,264	1,492
Net pension obligation	575	359	–	934	–
Accrued vacation, compensatory, and sick time benefits	167	322	(328)	161	161
Unamortized discounts, premiums, and deferred amounts on refunding	(2,681)	–	153	(2,528)	–
Total Parking Division	66,195	681	(2,045)	64,831	1,653
Business-type activities long-term liabilities	$ 1,047,898	9,003	(44,413)	1,012,488	36,037

(dollars in thousands)

b. General Obligation Bonds

In June 1999, the City issued $65,000 Public Safety General Obligation Bonds, Series 1999. The series consisted of $64,305 current interest serial bonds due in the years 2000 through 2008 and 2010 through 2019 with rates ranging from 4% to 5.125%. The 2009 maturity is entirely capital appreciation bonds in the amount of $695 sold to yield 5.15% and mature at $3,655 (collectively, the Series 1999 bonds). The proceeds of the Series 1999 bonds are being used as follows: (i) $44,000 for new fire equipment, new fire communication equipment, reconstruction and renovation of various existing fire houses, and new construction of fire houses; (ii) $10,000 for new police laboratory equipment, reconstruction, and renovation of existing police buildings, and; (iii) $11,000 for demolition and abatement of various abandoned or condemned buildings under the control of the City. The Series 1999 bonds are payable from ad valorem taxes to be levied without limitation as to rate or amount upon all taxable, tangible property, real, and personal property within the City. The principal and interest on the Series 1999 bonds is guaranteed under a municipal bond new issue insurance policy issued by Financial Guaranty Insurance Company. Principal payments are made from other governmental funds.

On June 15, 2005, the City issued $37,555 in General Obligation Refunding Bonds, Series 2005, with an average interest rate of 4.48% to refund $37,710 in outstanding Series 1999 General Obligation Bonds with an average interest rate of 5.09%. The net proceeds of $39,621 (after the addition of a $2,645 premium and less a payment of $550 in issuance costs and a $29 discount), along with $642 of City funds, were deposited with the Escrow Agent to be applied to on June 16, 2005 to the redemption of the Series 1999 bonds. After the refunding transaction, $10,215 in current interest Series 1999 bonds and $695 in capital appreciation Series 1999 bonds remain outstanding.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $1,911. This difference, reported in the accompanying financial statements as a reduction of bonds payable, is being charged to operations through year 2019 using the straight-line method, which approximates the effective interest method.

The City advance refunded the series 1999 bonds to reduce its total debt service payments over the next 10 years by approximately $4,348 and to obtain economic gain of $3,206.

Principal and interest requirements are as follows:

		Principal	Interest	Total
Year ending June 30:				
2006	$	3,245	1,603	4,848
2007		3,400	2,020	5,420
2008		3,570	1,856	5,426
2009		695	4,640	5,335
2010		3,085	1,680	4,765
2010 – 2014		17,345	5,262	22,607
2015 – 2019		17,125	2,085	19,210
	$	48,465	19,146	67,611

c. Section 108 Loan Guarantee Assistance Programs

(dollars in thousands)

During 2001, the City entered into contracts with the U.S. Department of Housing and Urban Development for Section 108 loan guarantee assistance for the following maximum amounts:

- $50,000 for Downtown Convention Headquarters Hotel project
- $20,000 for Darst-Webbe Housing Redevelopment project
- $10,000 for neighborhood projects

During 2001, the City issued a note in the amount of $50,000 for the Downtown Convention Headquarters Hotel project. Additionally, during 2001, the City received $5,000 in an advance funding draw for the Darst-Webbe Housing Redevelopment project. The $50,000 note is intended to spur redevelopment in the downtown area. The $50,000 note is a 20-year note at a variable rate of interest. The $5,000 received during 2001 was an advance funding draw note related to the $20,000 Darst-Webbe Housing Redevelopment project. During 2002, the City finalized each of the three loans at fixed rates ranging from 3.66% to 6.62%, and received the remaining $15,000 draw for the Darst-Webbe Housing Redevelopment project, as well as the $10,000 funding for neighborhood projects. The Darst-Webbe note is a 20-year note with final payment due in fiscal 2021.

The five-year, $10,000 note for neighborhood improvement projects will be used for housing rehabilitation, land acquisition, capital improvements, commercial district improvements, and public improvements. Final payment is due during fiscal 2007.

Principal and interest requirements for the combined Section 108 program notes are as follows:

		Principal	Interest	Total
Year ending June 30:				
2006	$	4,550	3,995	8,545
2007		4,850	3,756	8,606
2008		2,740	3,557	6,297
2009		2,920	3,402	6,322
2010		3,110	3,234	6,344
2011 – 2015		18,680	13,117	31,797
2016 – 2020		25,320	6,313	31,633
2021		6,050	200	6,250
	$	68,220	37,574	105,794

(dollars in thousands)

d. Federal Financing Bank Advances

Federal Financing Bank Advances represent promissory notes issued by the Federal Financing Bank to the City for redevelopment projects. These notes were issued under Section 108 of the Housing and Community Development Act of 1974. Interest is payable semiannually based on rates established by the secretary of the treasury on the dates the notes are made. These notes and the related interest will be repaid from intergovernmental revenues of the grants fund. In 1997, the City signed a new contract and loan agreement under Section 108 in the amount of $1,000. The proceeds were used to fund a portion of a multi-modal distribution center, which integrates trucking, railway, and waterway transportation and distribution channels. The loan initially consisted of 20 variable rate notes, due in July of each year, to be retired over the 20 years ending July 2016. Interest, payable semiannually and calculated monthly, is based on the variable rate of LIBOR plus 0.2%. In October 1997, the notes were changed to fixed rates with interest due in February and August of each year. The notes currently bear interest at rates ranging from 5.87% to 7.08%.

Principal and interest requirements are as follows:

	Principal	Interest	Total
Year ending June 30:			
2006	$ 40	51	91
2007	45	48	93
2008	50	45	95
2009	50	42	92
2010	55	38	93
2011 – 2015	350	126	476
2016 – 2017	175	13	188
	$ 765	363	1,128

e. Tax Increment Financing Bonds and Notes Payable

In 1991, the City issued $15,000 in tax increment financing (TIF) bonds (Series 91 TIF Bonds) to provide funds to enable the City to acquire certain land and, upon such land, among other things, to widen and improve an existing street. Other governmental funds are used to account for the revenues, expenditures, including debt service, and other activities related to the Series 91 TIF Bonds. The Series 91 TIF Bonds constitute special obligations of the City, and are payable from payments in lieu of taxes from owners or property within the Scullin Redevelopment Tax Increment Financing Area (the 91 Area). In the event these payments are not sufficient to meet the debt service requirements, the Series 91 TIF Bonds are payable, first, from the additional tax revenue generated by increases in economic activities in the 91 Area, other than personal property tax revenue, and, second, from any moneys legally available in the City's general fund. During 2005, $620 of payments in lieu of taxes and $679 in economic activity taxes were received. The Series 91 TIF Bonds bear interest at the rate of 10% per year, mature on August 1, 2010, and are subject to mandatory redemption prior to maturity.

(dollars in thousands)

Additionally, from time to time, the City issues tax increment financing bonds and notes payable to developers in conjunction with various redevelopment projects throughout the City. These are special limited obligations of the City, payable solely from the payments in lieu of taxes and increased economic activity taxes generated by the redevelopment areas. No other City moneys are pledged to repay these bonds and notes and, should these financing sources be insufficient to repay the bonds and notes prior to their stated maturity dates, the City's obligation under the bonds and notes will cease. As of June 30, 2005, the City had $33,573 in TIF bonds and notes payable outstanding, at interest rates ranging from 5.75% to 9.5%, payable in various installments through 2026. The City issued $12,964 in TIF bonds and notes payable during fiscal year 2005.

Principal and interest requirements for the tax increment financing debt issues are as follows:

	Series 91 TIF Bonds		TIF Bonds and Notes	
	Principal	**Interest**	**Principal**	**Interest**
Year ending June 30:				
2006	$ 1,055	758	1,086	2,447
2007	1,160	647	1,166	2,367
2008	1,275	525	1,252	2,281
2009	1,405	391	1,344	2,188
2010	1,545	244	1,443	2,089
2011 – 2015	1,665	83	7,856	8,748
2016 – 2020	–	–	8,199	5,901
2021 – 2025	–	–	10,017	2,253
2026	–	–	1,210	86
	$ 8,105	2,648	33,573	28,360

f. Master Note Purchase Agreement

In February 2000, the SLMFC, the City, and the Federal National Mortgage Association (Fannie Mae) entered into a Master Note Purchase Agreement (Series 2000 Note) to provide a low-interest, second mortgage for use as down payment and/or to pay other purchase costs to those who buy a single family residence in the City. The City provided a deposit of $250 into a note reserve account and SLMFC pledged all payments of interest and principal from the homeowners as payment for the Fannie Mae $1,250 loan. The SLMFC obligation is limited to the moneys in the various accounts established by the agreement including the note reserve account. A trustee holds the loan proceeds to be used exclusively for the City of St. Louis Homebuyers Incentive Program (CHIPS). The program is designed to provide funding to assist homebuyers with a down payment and closing costs associated with the purchase of a home. The loan bears interest at the rate of 8.27% per annum and will mature on March 1, 2011 subject to prepayment based on the payment of the second loans to homeowners.

In November 2001, the SLMFC, the City, and Fannie Mae amended the Series 2000 Note. Under the amendment, Fannie Mae purchased a Series 2001 Note in the amount of $460 from SLMFC. The amendment required the City to provide an additional deposit of $130 into a Series 2001 Note reserve account, and required SLMFC to pledge all payments of principal and interest from the homeowners as payment for the Series 2001 Note. A portion of the proceeds of the Series 2001 Note, along with a portion of the Series 2000 Note reserve account, was used to prepay a portion of the Series 2000 Note in the amount of $650. A portion of the Series 2001 Note provided additional funds for the CHIPS. The Series 2001 Note bears interest at the rate of 5.21% per annum and will mature on December 1, 2012, subject to prepayment based upon the payment of the second loans to homeowners. As of June 30, 2005, the balance of the note outstanding is $121.

(dollars in thousands)

g. Loan Agreement with Missouri Department of Natural Resources (DNR)

In July 2001, the City agreed to enter into a loan agreement with the DNR pursuant to the Missouri Energy Efficiency Leveraged Loan Program in the amount of $2,000 at an annual interest rate of 4.35%. The proceeds of the loan are to be used to complete energy conservation measures designated as approved by the DNR. During fiscal year 2004, the City made draws of $1,953 against the loan agreement. The purpose of this funding is to convert signal lights to LED fixtures resulting in a projected savings of $395 per year in electricity costs.

In April 2003, the City agreed to enter into a second loan agreement with the DNR pursuant to the Missouri Energy Efficiency Leveraged Loan Program in the amount of $1,613 at an annual interest rate of 2.95%. The proceeds of the loan are to be used to complete energy conservation measures designated as approved by the DNR. As of June 30, 2005, the City has not drawn against the loan agreement.
Principal and interest requirements under the loan agreement with the DNR are as follows:

	Principal	Interest	Total
Year ending June 30:			
2006	$ 338	57	395
2007	352	43	395
2008	366	28	394
2009	381	13	394
2010	36	1	37
	$ 1,473	142	1,615

h. Loan Agreement Metro

In July 2004, the City entered into an agreement with Bi-State Development Agency of Missouri-Illinois Metropolitan District doing business as Metro. The agreement provided for Metro to advance the City $1,000, interest free, for the replacement of the Landowne Bridge over River Des Peres. The City agreed to repay Metro on December 31, 2006 by appropriating funds in fiscal years 2005 and 2006.

Principal and interest requirements under the loan agreement with Metro are as follows:

	Principal	Interest	Total
Year ending June 30:			
2007	$ 1,000	–	1,000
	$ 1,000	–	1,000

(dollars in thousands)

i. Component Unit—SLDC Long-Term Liabilities

The following is a summary of changes in long-term liabilities for SLDC for the year ended June 30, 2005:

	Balance, June 30, 2004	Additions	Reductions	Balance, June 30, 2005	Due Within One Year
Due to other governmental agencies	$ 8,291	2,601	(1,799)	9,093	2,025
Notes payable	9,930	960	(3,809)	7,081	4,380
Other liabilities	4,905	5,546	(7,999)	2,452	1,808
Revenue bonds	13,320	–	(260)	13,060	285
	$ 36,446	9,107	(13,867)	31,686	8,498

Maturities on notes payable are as follows:

	Principal	Interest	Total
Year ending June 30:			
2006	4,379	153	4,532
2007	$ 648	16	664
2008	–	4	4
2009	54	1	55
2010	2,000	–	2,000
	$ 7,081	174	7,255

Revenue bonds outstanding at June 30, 2005 consist of LCRA Parking Facility Revenue Bonds Series 1999A (Series 1999A bonds), Parking Facility Revenue Refunding Bonds Series 1999B (Series 1999B bonds), and Parking Facility Revenue Refunding and Improvement Bonds Series 1999C (Series 1999C bonds) (Bonds). Collectively, the Bonds are dated October 21, 1999.

The Series 1999A bonds with an original issue amount of $2,470 are due at intervals until September 1, 2009. These bonds carry rates of interest ranging from 7.625% to 9.0%

The Series 1999B bonds with an original issue amount of $8,300 are due at intervals until September 1, 2019, and are payable solely from, and secured by, a pledge of gross revenues from the operation of SLDC Parking Facilities’ St. Louis Centre East Parking Garage. The bonds may be redeemed prior to maturity at the option of LCRA and are subject to special mandatory redemption prior to maturity following the occurrence of a determination of taxability as defined in the bond indenture. These bonds carry rates of interest ranging from 6.5% to 7.0%.

(dollars in thousands)

The Series 1999C bonds with an original issue amount of $3,040 are due September 1, 2024. Bond proceeds are to repay an LCRA note payable and construct a parking lot on a portion of the St. Louis Centre North Garage premises. The bonds may be redeemed prior to maturity at the option of LCRA and are subject to special mandatory redemption prior to maturity following the occurrence of a determination of taxability as defined in the bond indenture. These bonds carry a rate of interest of 7.05%.

Debt service requirements to maturity for SLDC revenue bonds are as follows:

		Series 1999A		Series 1999B		Series 1999C	
		Principal	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
Year ending June 30:							
2006	$	285	142	–	569	–	214
2007		310	115	–	569	–	214
2008		335	86	–	569	–	214
2009		365	55	–	569	–	214
2010		425	19	220	562	–	214
2011 – 2015		–	–	2,430	2,395	–	1,072
2016 – 2020		–	–	5,650	1,343	–	1,072
2021 – 2025		–	–	–	–	3,040	692
	$	1,720	417	8,300	6,576	3,040	3,906

j. Component Unit—SLPD Long-Term Liabilities

The following is a summary of changes in long-term liabilities for SLPD for the year ended June 30, 2005:

		Balance June 30, 2004	**Additions**	**Deductions**	**Balance, June 30, 2005**	**Due Within One Year**
Accrued banked overtime, vacation, and sick time leave	$	28,029	3,088	(3,392)	27,725	7,740
Capital lease obligation		5,522	30	(1,210)	4,342	1,235
Workers' compensation		39,211	11,456	(4,699)	45,968	5,891
Net pension obligation		2,841	1,521	–	4,362	–
	$	75,603	16,095	(9,301)	82,397	14,866

(dollars in thousands)

Police Patrol Buildings

In December 1987, SLPD entered into a lease-purchase agreement with the Missouri Economic Development, Export and Infrastructure Board (MEDB). In June 1994, the MEDB issued $13,725 of Leasehold Revenue Bonds, Series 1994 (SLPD Series 1994 Bonds). In February 2003, the Industrial Development Authority of the St. Louis Development Corporation (IDA) issued $6,665 in Series 2003 Leasehold Refunding Revenue Bonds (Series 2003 Bonds). Proceeds from the Series 2003 bonds were used to defease the previously issued Series 1994 Bonds.

The IDA acquired the police patrol buildings from the MEDB and leased them to SLPD in a lease purchase agreement dated February 1, 2003. Lease payments are payable from tax proceeds generated from the capital improvements sales tax, a ½ cent City sales tax increase approved by the voters on August 3, 1993. The Series 2003 Bonds are not legal obligations of SLPD or the City, but are to be paid by the lease payments described below:

		Principal	Interest	Total
Year ending June 30:				
2006	$	1,235	80	1,315
2007		1,255	55	1,310
2008		1,945	21	1,966
	$	4,435	156	4,591
Unamortized premium		31		
Unamortized deferred amount on refunding		(124)		
	$	4,342		

14. CAPITAL LEASES

Certain City services are provided by equipment financed under various capital lease agreements as follows:

a. Capital Lease—Rolling Stock

In March 2000, the City entered into a capital lease agreement with Banc One Leasing Corporation in the amount of $9,000 at a rate of 5.8%. Proceeds of the lease are to be used to purchase certain rolling stock, such as dump trucks and refuse trucks. In September 2002, the City refinanced its existing capital lease agreement with Banc One Leasing Corporation resulting in a new balance of $7,889. This revised capital lease agreement supercedes the capital lease agreement entered into during March 2000. In addition to refinancing the existing lease, the proceeds of the lease are to be used to purchase certain rolling stock, such as dump trucks and refuse trucks, and computer software and hardware. The lease agreement payments are due in semi-annual installments from 2003 through 2009 with an annual interest rate of 3.6%.

(dollars in thousands)

In June 2003, the City amended its capital lease agreement with Banc One Leasing Corporation to increase the capital lease by $4,002 in order to finance the acquisition of additional rolling stock. This portion of the capital lease is due in annual installments from 2004 through 2018 with an annual interest rate of 4.78%.

On July 7, 2004, the City amended its capital lease agreement with Banc One Leasing Corporation to increase the capital lease by $851 in order to finance the acquisition of additional rolling stock. This portion of the capital lease is due in annual installments from 2005 through 2007 with an annual interest rate of 3.19%.

Principal payments of $3,892 were made on these lease agreements in fiscal year 2005. The following is a schedule of future minimum lease payments as of June 30, 2005.

Year ending June 30:	
2006	$ 903
2007	1,601
2008	785
2009	634
2010	511
2011 – 2015	1,939
2016 – 2018	1,164
Total future minimum lease payments	7,537
Amount representing interest	(1,567)
Present value of net minimum lease payments	$ 5,970

Capital assets (equipment) of $10,658 are recorded by the City on its statement of net assets in conjunction with these capital leases.

b. Capital Leases—Other

The City has a capital lease agreement for the purchase of digital equipment. This lease is due in annual installments through 2005 with an annual interest rate of 4.97%. The final lease payment of $94 was paid during fiscal year 2005 reflecting $90 in principal and $4 in interest.

Capital assets (equipment) of $223 are recorded by the City on its statement of net assets in conjunction with this capital lease.

c. Capital Lease—Kiel Site Project—Obligation with Component Unit

The City has a master lease agreement with SLDC, whereby the City has leased Stadium East Redevelopment Project and related property and portions of the City Block 210 (the Kiel Premises) to SLDC.

SLDC subleases the Kiel Premises back to the City. In 1998, SLDC issued two series of bonds for the purpose of refunding the outstanding bonds on which the City's lease payments were based. Pursuant to the master lease agreement, the lease payments made by the City are to be used by SLDC to fund annual debt service payments for SLDC's Kiel Site Lease Revenue Refunding Bonds, Series 1997A and B in the original amount of $13,605. The Series 1997A and B bonds were issued by SLDC in September 1997, and the proceeds were used to retire SLDC's Station East Redevelopment Project Lease Revenue Bonds, Series 1990 and 1992. The capital lease obligation is recorded as a long-term liability. The City's lease payments are payable from the general fund.

(dollars in thousands)

The following is a schedule, by years, of the future minimum lease payments together with the present value of the net minimum payments for the Kiel Premises as of June 30, 2005.

Year ending June 30:	
2006	$ 970
2007	970
2008	973
2009	970
2010	971
2011 – 2015	4,836
2016 – 2020	4,872
2021 – 2022	1,957
Total future minimum lease payments	16,519
Amount representing interest	(5,504)
Present value of net minimum lease payments	$ 11,015

No capital assets are recorded by the City on its statement of net assets in conjunction with this capital lease due to the proceeds of this obligation being used for demolition and site preparation.

d. Capital Lease—Convention Center Hotel—Obligation with Component Unit

The City is subject to a Third Supplemental and Restated Lease Purchase Agreement (the Agreement) between the City, SLMFC and SLDC, whereby SLMFC leases the Convention Center to the City. In 2000, SLDC issued Series 2000 Compound Interest Leasehold Revenue Bonds (Series 2000 Bonds) in the amount of $40,000 for the purpose of providing funding for the construction of a convention center hotel within the vicinity of the Convention Center. Under the Agreement, SLMFC has assigned its rights under the lease relative to the Series 2000 Bonds to SLDC. The City is required, beginning on July 15, 2011, to make lease payments to SLDC to fund the annual debt service payments for the Series 2000 Bonds. The City's obligation to make these lease payments to SLDC is subordinate to the City's obligation to meet the debt service requirements of the Series 1993A and Series 2003 Convention Center Leasehold Revenue Bonds (see note 15).

(dollars in thousands)

The capital lease obligation is recorded as a long-term liability. The City's lease payments are payable from the capital projects fund. The following is a schedule, by years, of the future minimum lease payments together with the present value of the net minimum payments for the capital lease as of June 30, 2005.

Year ending June 30:	
2006	$ –
2007	–
2008	–
2009	–
2010	–
2011 – 2015	23,805
2016 – 2020	76,475
Total future minimum lease payments	100,280
Amount representing interest	(60,280)
Present value of net minimum lease payments	$ 40,000

No capital assets are recorded by the City on its statement of net assets in conjunction with this capital lease due to the proceeds of this obligation being used for construction of a convention center hotel that is not owned by the City.

15. LEASEHOLD REVENUE IMPROVEMENT AND REFUNDING BONDS

a. Civil Courts

On June 1, 2003, the SLMFC issued $23,400 in Leasehold Revenue Refunding Bonds (Series 2003A) with an average interest rate of 4.02% to advance refund $22,480 of Series 1994 Bonds with an average interest rate of 6.08%. The net proceeds of $24,434 (after the addition of a $1,811 premium less a payment of $777 in issuance costs) were deposited with the escrow agent under the escrow deposit agreement and, together with interest earnings thereon, were applied to the payment of principal and interest on the Series 1994 Bonds maturing on August 1, 2003 and 2004, and to the redemption on August 1, 2004 of the remaining Series 1994 Bonds.

b. Convention Center

On July 15, 1993, SLMFC issued $144,362 in Leasehold Revenue Refunding Bonds (Series 1993A Bonds). The Series 1993A Bonds were issued to refund bonds previously issued by SLDC (SLDC Bonds). Pursuant to the SLDC Bonds, SLDC held title to the Convention Center. Once the proceeds of the Series 1993A Bonds were deposited in an irrevocable trust to pay the principal and interest on the outstanding SLDC Bonds and certain other conditions were satisfied, the Convention Center property was conveyed to SLMFC. The Series 1993A Bonds consisted of current interest bonds ($51,330 serial bonds and $90,465 term bonds) and compound interest bonds with an initial offering price of $2,567 and a final maturity amount on July 15, 2014 of $9,615. The yield to maturity for the compound interest bonds at the initial offering price was 6.4%. Lease payments calculated to meet the principal, interest, and other costs related to the Series 1993A Bonds are paid for in the City's general fund.

On April 15, 2003, the SLMFC issued $118,575 in Leasehold Revenue Refunding Bonds (Convention Center Project) with an average interest rate of 4.67% to advance refund the current interest bonds portion of the Series 1993A Bonds with an average interest rate of 5.87%. The net proceeds of $125,373 (after the addition of a $9,439 premium less a payment of $2,641 in issuance cost) were deposited with the escrow agent under the escrow deposit agreement, and were applied on July 15, 2003 to the redemption of the $119,960 of Series 1993A current interest leasehold revenue bonds. Thus, as of June 30, 2005, only the compound interest bonds of the Series 1993A Bonds remain outstanding.

On May 26, 2005, the SLMFC issued Series 2005A and B Compound Interest Leasehold Revenue Bonds in the amount of $44,998 for the purpose of providing funding for the construction of the Convention Center Hotel, in addition to making debt service payments for other ongoing projects, within the vicinity of the Convention Center. Principal payments plus compounded interest (4.66%) will be made July 15, 2021 through 2030. The final maturity amounts on bonds are $54,050 and $62,430 for the Series 2005A and 2005B, respectively.

c. Justice Center

In August 1996, the SLMFC issued $75,705 in Leasehold Revenue Improvement Bonds, Series 1996A (Series 1996A Bonds) and $34,355 Leasehold Revenue Improvement and Refunding Bonds, Series 1996B (Series 1996B Bonds) (collectively, the 1996 Justice Center Bonds). The Series 1996A Bonds include serial bonds in the principal amount of $20,155 and term bonds in the principal amount of $55,550. The Series 1996B Bonds include serial bonds in the principal amount of $23,500 and term bonds in the principal amount of $10,835. Interest is payable semiannually on all bonds. The term bonds are subject to mandatory sinking fund redemption prior to their stated maturity dates.

The City’s payments are secured by a pledge between the City and the trustee for the 1996 Justice Center Bonds, which authorizes the State to make direct payment to the trustee of the City’s per diem reimbursement entitlements for costs incurred in boarding State prisoners. The City’s payments are further insured by AMBAC Financial Group, Inc. The principal amount of the bonds outstanding is recorded as a long-term liability. The City’s payments for debt service are payable from the capital projects fund. Interest rates on the 1996 Justice Center Bonds range from 4.25% to 6.0%.

Proceeds from the Series 1996A Bonds were used to construct the City Justice Center, which replaced the former municipal jail that has been demolished and will house a total of 732 prisoners. The facility is a major addition to the City’s justice system, bringing total detention capacity to over 1,500 beds. The City Justice Center site is located east of City Hall, south of the city-owned Carnahan Building, and west of the Thomas F. Eagleton Federal Courthouse. The City Justice Center is designed to meet standards established by the American Correctional Association.

In February 2000, the SLMFC issued $22,025 in City Justice Center Leasehold Revenue Improvement Bonds (Series 2000A Bonds) for the purpose of financing the completion of the City Justice Center, and funding the debt service reserve fund with respect to the Series 2000A Bonds, and paying costs of issuance of the Series 2000A Bonds. The Series 2000A Bonds, bearing a stated maturity of February 15, 2010, are not subject to redemption prior to their stated maturities. The Series 2000A Bonds, bearing a stated maturity of February 15, 2011 are subject to optional redemption and payment prior to their stated maturities at the election of SLMFC, upon direction and instruction by the City on February 15, 2010, and, at any time thereafter, as a whole at any time, in part at any time, and if, in part, in such order as the SLMFC shall determine, upon the direction and instruction by the City in its sole discretion, at redemption prices ranging from 100% to 101%, plus accrued interest thereon, to the redemption date.

The principal amount of the bonds outstanding is recorded as a long-term liability of the City. The City's payments for debt service are payable from the capital projects fund. Interest rates on the Justice Center Series 2000A Bonds range from 4.75% to 6.0%.

On September 1, 2001, the SLMFC issued $62,205 in City Justice Center Leasehold Revenue Bonds (Series 2001A bonds) with an average interest rate of 4.93% to advance refund $58,115 of Series 1996A Bonds with an average interest rate of 5.93%. As a result, this portion of the Series 1996A Bonds are considered to be defeased, and the liability for those bonds has been removed from the basic financial statements. As of June 30, 2005, $58,115 of these defeased Series 1996A Bonds remain outstanding.

d. Forest Park

On December 1, 2004, the SLMFC issued $16,400 in Leasehold Revenue Refunding Bonds (Series 2004) with an average interest rate of 4.23% to advance refund $16,120 of outstanding Series 1997 Forest Park Leasehold Revenue Improvement Bonds with an average interest rate of 5.45%. The net proceeds of $16,349 (after the addition of a $428 premium and less a payment of $479 in issuance costs) plus $717 in City funds were deposited with the escrow agent under the escrow deposit agreement, and, together with interest earnings thereon, be applied to the payment of principal, premium, if any, and interest on the Series 1997 Bonds to their stated maturity or their February 15, 2006 redemption date, as the case may be. As a result, the Series 1997 bonds are considered defeased, and the liability for those bonds have been removed from the financial statements.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $938. This difference, reported in the accompanying financial statements as a reduction of bonds payable, is being charged to operations through the year 2022 use the straight-line method, which approximates the effective interest method.

The City advance refunded the Series 1997 bonds to reduce its total debt service payments over the next 10 years by approximately $2,534 and to obtain economic gain of $1,397.

e. Firemen's System

On April 1, 1998, the SLMFC issued $28,695 in Firemen's Retirement Systems Lease Revenue Bonds, Series 1998 (Series 1998 Bonds). Interest is paid semiannually on the bonds at the rate of 5.6% to 6.55%. The Series 1998 Bonds are subject to mandatory sinking fund redemption prior to maturity.

The City has covenanted, subject to annual appropriation, to pay rental payments at such times and in such amounts as are necessary to assure that no default in the payment of principal, premium, or interest on the Series 1998 Bonds occurs. The Series 1998 Bonds are further secured by a mortgage and deed of trust lien upon the facility (defined as the sites, building, structures, improvements, and fixtures occupied by the City's Fire Department Headquarters Building and 30 neighborhood engine houses) pursuant to the Deed of Trust and Security Agreement dated as of April 1, 1998. The principal amount of the bonds outstanding is recorded as a long-term liability. The City's payments for debt service are payable from the general fund.

The proceeds derived from the sale of the Series 1998 Bonds were used to prepay a portion of the City's unfunded accrued actuarial liabilities in the form of a contribution to the Firemen's Retirement System and to pay cost of issuance for the Series 1998 Bonds.

f. Carnahan Courthouse

On April 1, 2002, the SLMFC issued $21,750 in Leasehold Revenue Bonds, Series 2002A (Series 2002A Bonds). The bonds include serial bonds in the principal amount of $12,310, and term bonds in the amount of $9,440. Interest is payable semiannually on all bonds. The term bonds are subject to mandatory sinking fund prior to their stated maturity date of February 15, 2027. The mandatory redemption begins February 15, 2023 and each February 15th thereafter, including February 15, 2027. The proceeds of the Series 2002A bonds are being used to finance the acquisition and renovation of the Carnahan Courthouse.

The City's payments are secured by a pledge agreement between the City and the Series 2002A Bonds trustee. The City's payments are further insured by the Financial Guaranty Insurance Company (FGIC). Interest rates on the bonds range from 4.81% to 5.40%.

(dollars in thousands)

g. Principal and Interest Requirements

Principal and interest requirements for the Leasehold Revenue Improvement and Refunding Bonds are as follows:

	Civil Courts		Firemen's System	
	Principal	**Interest**	**Principal**	**Interest**
Year ending June 30:				
2006	$ 1,905	853	$ 2,185	927
2007	1,985	769	2,325	784
2008	2,075	677	2,475	629
2009	2,155	589	2,635	465
2010	2,255	493	2,805	288
2011 – 2015	10,090	847	2,990	98
	$ 20,465	4,228	$ 15,415	3,191

	Justice Center		Forest Park	
	Principal	**Interest**	**Principal**	**Interest**
Year ending June 30:				
2006	$ 5,380	5,544	$ 715	653
2007	5,860	5,268	740	632
2008	6,160	4,964	760	610
2009	6,490	4,638	785	587
2010	6,790	4,337	805	563
2011 – 2015	42,705	15,651	4,490	2,360
2016 – 2020	34,410	4,234	5,530	1,321
2021 – 2022	–	–	2,575	164
	$ 107,795	44,636	$ 16,400	6,890

	Carnahan Courthouse		Convention Center	
	Principal	**Interest**	**Principal**	**Interest**
Year ending June 30:				
2006	$ –	1,139	$ 8,755	5,114
2007	–	1,139	9,590	4,764
2008	–	1,139	13,445	4,277
2009	–	1,139	11,675	3,688
2010	–	1,139	12,915	3,094
2011 – 2015	2,160	5,633	57,697	13,441
2016 – 2020	6,540	4,390	–	–
2021 – 2025	8,395	2,529	24,053	31,751
2026 – 2030	4,655	379	20,944	39,731
	$ 21,750	18,626	$ 159,074	105,860

16. JOINT VENTURE FINANCING AGREEMENT

a. St. Louis Regional Convention and Sports Complex Authority (Authority)

In April 1990, the Authority was established as a separate legal entity by an act of the Missouri State legislature to acquire, purchase or lease, and construct, operate, and maintain convention centers, sports stadiums, field houses, indoor and outdoor convention, recreational, and entertainment facilities, and to do all things incidental or necessary to facilitate these purposes.

b. Series C 1991 Bonds and Series C 1997 Bonds (Series C Bonds)

On August 15, 1991, the City sponsored the issuance of $60,075 in Convention and Sports Facility Project Bonds Series C 1991 (Series C 1991 Bonds). The Series C Bonds were issued by the Authority, together with the proceeds of the Authority's $132,910 principal amount of Convention and Sports Facility Project Bonds, Series A 1991 (State, Sponsor) (Series A Bonds) and the Authority's $65,685 principal amount of Convention and Sports Facility Bonds, Series B 1991 (County, Sponsor) (Series B Bonds). The Series A Bonds, the Series B Bonds, and the Series C 1991 Bonds (collectively, the Project Bonds) were issued for the purpose of providing funds to finance the costs of acquiring land and constructing thereon an eastward expansion of the Cervantes Convention Center to be used as a multipurpose convention and indoor sports facility (Project).

During February 1997, the Authority issued Convention and Sports Facility Project and Refunding Bonds Series C 1997 (Series C 1997 Bonds) in the amount of $61,285. The proceeds were used to refund, in advance of maturity, $47,155 of the Series C 1991 bonds. A portion of the Series C 1991 Bonds maturing on August 15, 2021 are not subject to optional redemption and $8,820 remain outstanding. Approximately $2,100 of the proceeds was used for various project improvements.

The Authority entered into a Project Financing Construction and Operation Agreement (Financing Agreement) dated August 1, 1991 with the City, State, and County (collectively, the Sponsors) providing for the application of the proceeds of the Project Bonds, for the repayment of the Project Bonds, and for the operation and maintenance of the Project. Pursuant to the Financing Agreement, the Authority will lease the Project to the Sponsors who will sublease the project back to the Authority. The rental payments made by the Sponsors under the Financing Agreement are designed to be sufficient to pay the principal and interest on the Project Bonds. The preservation payments to be made by the Sponsors under the Financing Agreement will be used to pay for repairs and replacement of major Project components and renovation necessary to maintain the Project. A portion of the preservation payments from each sponsor was deposited to the bond fund of the Authority each year from 1994 through 1999 to pay principal and interest on the Project Bonds. On August 1 and February 1 of each year, the City is obligated (subject to appropriations) to make rental payments of $2,500 and preservation payments of $500 regardless of the principal and interest payments due.

(dollars in thousands)

At June 30, 2005, the City's obligation for the Series C Bonds and net preservation payments (after deposits to the bond fund) payable from the general fund under the Financing Agreement is as follows:

	Principal	Interest	Preservation Payments	Total
Year ending June 30:				
2006	$ –	2,842	1,053	3,895
2007	2,200	2,739	1,061	6,000
2008	2,310	2,630	1,060	6,000
2009	2,420	2,513	1,067	6,000
2010	2,540	2,387	1,073	6,000
2011 – 2015	14,850	9,711	5,439	30,000
2016 – 2020	19,280	5,179	5,541	30,000
2021 – 2022	9,215	518	(733)	9,000
	$ 52,815	28,519	15,561	96,895

Series C Bonds' principal and the preservation payments are included in the City's basic financial statements as a long-term liability.

(dollars in thousands)

17. REVENUE BONDS PAYABLE

a. Airport

Bonds outstanding at June 30, 2005 are summarized as follows:

Bond Series 1996, interest rates ranging from 5.15% to 5.35%, payable in varying amounts through 2008	$	12,205
Bond Series 1997, interest rates ranging from 4.50% to 6%, payable in varying amounts through 2028		190,500
Bond Series 1998, interest rates ranging from 4.0% to 5.13%, payable in varying amounts through 2016		63,620
Bond Series 2001A, interest rates ranging from 4.13% to 5.63%, payable in varying amounts through 2032		435,185
Bond Series 2002, Series A, B, and C, interest rates ranging from 2.50% to 5.50%, payable in varying amounts through 2033		112,185
Bond Series 2003A, interest rates ranging from 2.38% to 5.25%, payable in varying amounts through 2019		70,340
Bond Series 2003B, interest rates of 2.05%, payable in varying amounts through 2006		10,700
		894,735
Less:		
Current maturities		(23,390)
Unamortized discounts and premiums		4,636
Deferred amounts on refunding		(4,897)
	$	871,084

The deferred amounts on refunding of $4,897 at June 30, 2005, relate to the refunded Bond Series 1984, Bond Series 1987, Bond Series 1992, Bond Series 1993, Bond Series 1993A, and Bond Series 2000 and are included in revenue bonds payable. The deferred amounts on refunding are amortized as a component of interest expense using the bonds outstanding method over the life of the new bonds.

Management of the Airport is not aware of any violations of significant bond covenants with respect to the above issues at June 30, 2005.

(dollars in thousands)

As of June 30, 2005, the Airport's aggregate debt service requirements for the next five years and in five-year increments thereafter are as follows:

		Principal	Interest	Total
Year ending June 30:				
2006	$	23,390	45,649	69,039
2007		16,235	44,843	61,078
2008		31,495	43,727	75,222
2009		28,440	42,261	70,701
2010		29,890	40,740	70,630
2011 – 2015		174,395	177,656	352,051
2016 – 2020		177,070	129,189	306,259
2021 – 2025		170,220	84,665	254,885
2026 – 2030		172,940	39,492	212,432
2031 – 2033		70,660	4,199	74,859
	$	894,735	652,421	1,547,156

In prior years, the Airport advance refunded various Airport Revenue Bonds by placing funds in an irrevocable trust to provide for all future debt service payments on these bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. At June 30, 2005, $70,070 of outstanding revenue bonds is considered defeased.

b. Water Division

Water revenue bonds outstanding at June 30, 2005 are payable solely from, and secured by, a pledge of net revenues from the operation of the Water Division and are summarized as follows:

Series 1994 Water Revenue Bonds, 5.85% to 5.95%, Payable in varying amounts through July 1, 2006	$	5,145
Series 1998 Water Revenue Bonds, 4.1% to 4.75% Payable in varying amounts through July 1, 2014		29,175
		34,320
Less:		
Current maturities		(2,500)
Deferred amount on refunding of a portion of the 1994 Water Revenue Bonds		(1,284)
Unamortized discounts		(94)
	$	30,442

1) Series 1994 Water Revenue Bonds

In April 1994, the Water Division issued $51,570 in revenue refunding and improvement bonds (Series 1994 Bonds). The Series 1994 Bonds are payable solely from, and secured, by the revenues of the Waterworks System. The Series 1994 Bonds were issued as part of the $170,000 of bonds approved by voters at an election held April 6, 1993. The Series 1994 Bond proceeds were principally used to finance the construction of improvements to the Waterworks System, to refund and defease all of the outstanding Series 1985 Bonds, and pay the costs of the bonds' issuance. Proceeds of the Series 1994 Bonds were also used to pay the premiums of a municipal bond insurance policy issued by FGIC. This policy, which guarantees the payment of principal and interest on the Series 1994 Bonds, is noncancelable and extends for the term of the Series 1994 Bonds. The Water Division is subject to certain covenants under the Series 1994 Bonds.

As noted above, a portion of the Series 1994 Bond proceeds will fund the construction of certain improvements to the waterworks system. These projects are: (1) improvements to the Chain of Rocks treatment plant sedimentation basin, (2) the rehabilitation of the 60-inch Conduit No. 1 from the Howard Bend treatment plant, (3) chlorination system improvements at the Howard Bend and Chain of Rocks plants, and (4) the improvement of the Compton Hill Reservoir. These projects respond to changing environmental regulations and maintaining the integrity and reliability of the Waterworks System.

Construction on the Compton Hill Reservoir and the rehabilitation of the 60-inch Conduit No. 1 from the Howard Bend treatment plant were completed in 1999 for total costs of $22,664 and $10,714, respectively. Chain of Rocks treatment plant sedimentation basins were completed in 2001 for a total cost of $24,490. Chlorination system improvements were completed in 2002 for a total cost of $7,268.

2) Series 1998 Water Revenue Bonds

In December 1998, the Water Division issued $29,225 in Series 1998 Bonds with an average interest rate of 4.56% to advance refund $27,775 of the outstanding Series 1994 Bonds, maturing between 2007 and 2014, with an average interest rate of 6.02%. The net proceeds of $28,451 (after the subtraction of an original issue discount of $190 and the payment of $584 in underwriting fees and other issuance costs) plus an additional $2,508 of Series 1994 Bonds Debt Service Fund moneys were deposited in an irrevocable trust with an escrow agent to provide for all future payments on the $27,775 principal of the Series 1994 Bonds. As a result, this portion of the Series 1994 Bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. At June 30, 2005, no defeased Series 1994 Bonds remain outstanding.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $3,257. This difference, with a current carrying value of $1,284, is reported in the accompanying financial statements as a reduction of revenue bonds payable and is being charged to operations through the year 2014 using the bonds outstanding method.

(dollars in thousands)

Proceeds of the Series 1998 Bonds were also used to pay the premiums of a municipal bond insurance policy issued by AMBAC Assurance Corporation. This policy, which guarantees the payment of principal and interest on the Series 1998 Bonds, is noncancelable and extends for the term of the Series 1998 Bonds. The Water Division is subject to certain covenants under the Series 1998 Bonds.

Debt service requirements to maturity of the 1994 and 1998 Water Revenue Bonds are as follows:

		Principal	Interest	Total
Year ending June 30:				
2006	$	2,500	1,444	3,944
2007		2,645	1,286	3,931
2008		2,850	1,169	4,019
2009		3,300	1,032	4,332
2010		3,440	887	4,327
2011 – 2015		19,585	1,894	21,479
	$	34,320	7,712	42,032

c. Parking Division

Revenue bonds outstanding at June 30, 2005 are as follows:

Series 1996 Revenue Bonds, interest rates ranging from 3.6% to 5.375%, payable in varying amounts through 2021	$	22,595
Series 1999 Revenue Bonds, interest rates ranging from 5.75% to 7.375%, payable in varying amounts through 2021		10,135
Series 2002 Revenue Bonds, interest rates ranging from 5.50% to 7.25% payable in varying amounts through 2028		20,620
SLPCFC Series 2003A tax exempt revenue bonds interest rates variable not to exceeded 12% payable in varying amounts through 2028		6,115
SLPCFC Series 2003B taxable revenue bonds interest rates variable not to exceeded 5% payable in varying amounts through 2038		6,799
		66,264
Less:		
Current maturities		(1,492)
Unamortized discount and deferred loss on refunding		(2,528)
	$	62,244

On November 20, 2003, the SLPCFC issued $6,730 in Series 2003A Tax Exempt Parking Revenue Bonds at a variable interest rate not to exceed 12%, and $6,882 in Series 2003B Taxable Parking Revenue Bonds at a variable interest rate not to exceed 5% for the purpose of purchasing the Cupples Garage located in downtown St. Louis. The net proceeds of the bonds were $13,127, after the deduction of $485 in underwriting fees and issuance costs. The Series 2003A and 2003B bonds are secured solely by the net revenues of the Cupples Garage, and do not constitute a general obligation of the Parking Division or of the City.

On December 23, 2004, the lease between SLPCFC and the lessor was partially terminated relative to a surface lot near the Cupples Garage. Due to the termination of the lease, the lot was sold by the lessor and transferred to a developer. Additionally, the lessor paid a mutually agreed-upon lease termination fee of $422 to the Parking Division, which is reported as miscellaneous non-operating revenue. The fee proceeds were remitted to the financial institution that had purchased the Series 2003A Bonds and were utilized to redeem $420 of the bonds maturing on June 1, 2028, plus accrued interest. These bonds were called for redemption on February 1, 2005.

On August 28, 2002, the Parking Division issued $21,005 in Subordinated Parking Revenue Bonds with interest rates ranging from 5.50% to 7.25%. The bonds consist of $17,865 in Series 2002A Subordinated Tax Exempt Parking Revenue Bonds, and $3,140 in Series 2002B Subordinated Taxable Parking Revenue Bonds. The bonds were issued for the purpose of paying the costs of acquisition and construction of two parking facilities in downtown St. Louis and redeeming the Parking Division’s outstanding short-term revenue bonds payable. The net proceeds from the bonds were $19,842 (after the deduction of an original issue discount of $341 and the payment of $822 in underwriting fees and other issuance costs). The Series 2002 bonds are secured solely by the revenues from the parking garages constructed and certain other pledged Parking Division revenues, and do not constitute a general obligation of the City.

On November 1, 1999, the Parking Division issued $11,420 in Parking Revenue Bonds with interest rates ranging from 5.75% to 7.375%. The bonds consist of $5,840 Series 1999A Tax Exempt Bonds and $5,580 Series 1999B Taxable Bonds. The net proceeds of the bonds, after payment of costs of issuance and the required deposits to the Series 1999 debt service reserve fund, together with other available funds, are to be used to design, construct, and equip a public parking facility on land owned by the City.

On December 5, 1996, the Parking Division issued $25,820 in Parking Revenue Refunding Bonds with interest rates ranging from 3.600% to 5.375% to advance refund $22,750 of outstanding Series 1992 bonds with interest rates ranging from 4.200% to 6.625%. The net proceeds of $25,250 (after payment of $570 of original issue discount) were used to pay underwriting fees, insurance, and other issuance costs, and the remaining proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 1992 bonds. As a result, the Series 1992 bonds are considered defeased and the liability for those bonds have been removed from the financial statements. At June 30, 2005, no Series 1992 Bonds remain outstanding.

(dollars in thousands)

The Parking Division issued the Series 1996 Bonds with a par value of $25,820 to: (1) pay the remaining costs of completing the project (acquisition of real estate and the construction of a multilevel public parking garage and other parking facilities), (2) retire the Series 1992 Bonds, (3) pay issuance costs, and (4) fund the debt service reserve fund. The Series 1996 Bonds are payable from, and secured by, a pledge of: (1) revenues to be generated from the operation of the project, (2) certain other parking revenues derived from the activities of the Parking Division, and (3) certain revenues from parking fines and penalties collected by the City's Traffic Violations Bureau.

Debt service requirements for the Parking Division revenue bonds are as follows:

		Principal	Interest	Total
Year ending June 30:				
2006	$	1,492	3,589	5,081
2007		1,582	3,503	5,085
2008		1,670	3,412	5,082
2009		2,051	3,305	5,356
2010		2,179	3,182	5,361
2011 – 2015		13,140	13,911	27,051
2016 – 2020		17,264	9,820	27,084
2021 – 2025		16,858	4,603	21,461
2026 – 2030		6,663	1,669	8,332
2031 – 2035		2,096	633	2,729
2036 – 2038		1,269	126	1,395
	$	66,264	47,753	114,017

18. SHORT-TERM DEBT

a. City

Short-term debt activity for the year ended June 30, 2005 was as follows:

		Balance June 30, 2004	Issued	Redeemed	Balance June 30, 2005
Tax revenue anticipation notes	$	–	47,000	(47,000)	–

b. Airport

On May 1, 2004, the City's Board of Alderman authorized the Airport to issue Commercial Paper Notes, 2004 Program, in an aggregate principal amount not to exceed $125,000 outstanding at any one time. As of June 30, 2005, commercial paper of $1,000 was outstanding. This commercial paper bore interest at rate of 2.52% and was due on August 16, 2005.

(dollars in thousands)

Following is a summary of the changes in commercial paper for the Airport for the year ended June 30, 2005:

	Balance June 30, 2004	Issued	Redeemed	Balance June 30, 2005
Commercial paper payable	$ 10,000	9,000	(18,000)	1,000

19. FORWARD PURCHASE AGREEMENTS

a. Objective of the Forward Purchase Agreements

The Airport, Water Division, and Parking Division have entered into 11 forward purchase agreements with financial institutions, which guarantee a fixed rate of return on the invested proceeds of the debt service and debt service reserve funds of certain revenue bond issuances. The Airport, Water Division, and Parking Division entered into these agreements in order to ensure that their investments will earn a guaranteed rate of interest regardless of fluctuations in market interest rates.

(dollars in thousands)

b. Terms

The terms of Airport forward purchase agreements I – VI are as follows:

	Airport I	Airport II	Airport III	Airport IV	Airport V	Airport VI
Date of origin	June 1995	September 1997	October 2000	December 2003	December 2003	December 2003
Underlying bond account(s)	Series 1996, Series 2002C, Series 2003B debt service	Series 1997 debt service reserve	Series 2003A debt service reserve	Series 1997A debt service reserve	Series 1997B debt service	Series 2001A debt service
Guaranteed interest rate	6.34%	6.18%	6.47%	5.332%	5.352%	5.422%
Lump sum payment received at beginning of agreement	$7,209	N/A	N/A	N/A	N/A	N/A
Date of termination (upon maturity of bond series)	2015	2027	2008	2027	2027	2031
Notional amount (representing balance in applicable accounts)	$13,911	$14,970	$7,034	$2,907	$12,382	$17,050
Obligation (representing the unamortized portion of lump sum payment) recorded on the statement of fund net assets at June 30, 2005	$1,231	N/A	N/A	N/A	N/A	N/A

(dollars in thousands)

The terms of Airport forward purchase agreements VII – IX, the Water Division forward purchase agreement, and the Parking Division forward purchase agreement are as follows:

	Airport VII	Airport VIII	Airport IX	Water Division	Parking Division
Date of origin	December 2003	December 2003	December 2003	February 1996	August 1997
Underlying bond account(s)	Series 2002A debt service	Series 2002B debt service	Series 2003A debt service reserve	Series 1994 and Series 1998 debt service	Series 1996 debt service reserve and parking trust fund
Guaranteed interest rate	5.463%	5.332%	5.579%	6.20%	5.51%
Lump sum payment received at beginning of agreement	N/A	N/A	N/A	$941	N/A
Date of termination (upon maturity of bond series)	2032	2032	2018	2014	2021
Notional amount (representing balance in applicable accounts)	$1,745	$782	$3,232	$3,559	$7,742
Obligation (representing the unamortized portion of the initial lump sum payment) recorded on the statement of fund net assets	N/A	N/A	N/A	$396	N/A

In July 2003, Airport forward purchase agreement I was amended to replace Bond Series 1993A with Bond Series 2003B. No payment was made in consideration of this amendment.

For the Airport forward purchase agreement I and the Water Division forward purchase agreement, in exchange for the lump-sum payment received, the City has contracted to buy qualified eligible securities from financial institutions every month until the bonds mature, are called, or are refinanced. These institutions receive the actual interest earned on the securities purchased every month. The difference between the fixed interest rate earned by the City and the variable interest rate paid to the financial institution is recorded as a net adjustment to net interest expense.

(dollars in thousands)

For Airport forward purchase agreements II through IX and the Parking Division forward purchase agreement, the City has contracted to buy qualified eligible securities from a financial institution on a semiannual basis and the financial institution has guaranteed that the securities will earn a stated rate. To the extent the securities earn a greater rate of return, the City is required to refund the differential to the financial institution, if a lesser rate is earned, the financial institution absorbs the loss.

c. Fair Value

As disclosed above, the City's obligations associated with Airport forward purchase agreement I and the Water Division forward purchase agreement are recorded on the financial statements as other liabilities. This liability represents the unamortized portion of the initial lump-sum payment received pursuant to these agreements.

The fair value of the remaining forward purchase agreements, under which no initial lump-sum payments were received, is not recorded on the financial statements. As of June 30, 2005, these fair values are as follows:

Agreement	Fair Value
Airport II	$ 5,057
Airport III	671
Airport IV	284
Airport V	1,172
Airport VI	3,566
Airport VII	584
Airport VIII	237
Airport IX	605
Parking Division	1,182

These fair values were calculated using the following method: the variable rate of return to be retained by the financial institutions was assumed to be the rate of a return available at June 30, 2005 for a U.S. Treasury obligation with a comparable length of time remaining until maturity. The variable rate of return was then subtracted from the fixed rate of return guaranteed, and multiplied by the securities required to be invested under the agreements for all future periods. The resulting differential in future cash flows was discounted to the present at the rate of a return available at June 30, 2005 for a U.S. Treasury obligation with a comparable length of time remaining until maturity.

d. Credit Risk

The forward purchase agreements' fair value represents the credit exposure of the Airport, the Water Division, and the Parking Division to the financial institutions as of June 30, 2005. Should the financial institutions fail to perform according to the terms of the agreement, the Airport, the Water Division and the Parking Division face a maximum possible loss equivalent to the agreements' fair value.

(dollars in thousands)

e. Interest Rate Risk

The forward purchase agreement exposes the Airport, the Water Division, and the Parking Division to interest rate risk. Should interest rates increase above the levels guaranteed by the agreement, the financial institution, and not the Airport, the Water Division, or the Parking Division, would realize this increase in investment earnings.

f. Termination Risk

Should the Airport, the Water Division, or the Parking Division terminate the agreements or default on their obligations pursuant to the agreements, a termination payment would either be owed to or due from the financial institution, and would be calculated based upon market interest rate conditions at the time of the termination.

20. OPERATING LEASES

a. At June 30, 2005, the City was committed under miscellaneous operating leases for office space and equipment. Future minimum base rental payments under terms of the operating leases are as follows:

Year ending June 30:	
2006	$ 1,335
2007	956
2008	775
2009	561
2010	455
2011 – 2015	2,315
2016 – 2020	972
2021 – 2025	250
2026 – 2028	138
	$ 7,757

b. The Airport has long-term use agreements and leases with signatory air carriers, which expire on December 31, 2005. The Airport and the signatory air carriers have negotiated the terms of a new 5½-year use agreement to replace the current agreement upon its expiration.

Under the terms of the use agreements and leases, the air carriers have agreed to pay airfield landing fees; terminal and concourse rentals; hangar, cargo, and maintenance facility rentals; and certain miscellaneous charges in consideration for use of the Airport. The use and lease agreements also require the Airport to make certain capital improvements and to provide maintenance of certain Airport facilities. Payments by the air carriers are determined as follows:

- Landing fees are calculated based on estimated operating and maintenance expenses of the airfield, and allocated to the air carriers on the basis of landing weights. Landing fee revenues are adjusted each year by retroactive rate adjustment, which is calculated as the difference between estimated and actual costs incurred and estimated and actual landing weights. These revenues are included in aviation revenue—airfield.

(dollars in thousands)

- Rentals are calculated based on estimated operating and maintenance expenses of the terminal and concourse areas and hangars, cargo, and maintenance facilities, and allocated to the air carriers on the basis of square footage utilized. Rental revenue is adjusted each year by retroactive rate adjustment, which is calculated as the difference between estimated and actual costs incurred. These revenues are included in aviation revenue—terminal and concourses, hangars and other buildings, or cargo buildings, respectively.

- Miscellaneous income is derived from the air carriers for their use of sanitary disposal facilities and airline service buildings.

During fiscal year 2005, revenues from signatory air carriers accounted for 56% of total Airport operating revenues.

Minimum future rentals for each year in the next five years and in the aggregate are not determinable given the method of calculation.

The following is a summary of aviation revenue by category and source from signatory and nonsignatory air carriers for the year ended June 30, 2005:

		Signatory	Non-signatory	Total
Airfield	$	35,569	7,219	42,788
Terminal and concourses		23,469	414	23,883
Hangars and other buildings		387	30	417
Cargo buildings		1,847	–	1,847
	$	61,272	7,663	68,935

(dollars in thousands)

The Airport also leases facilities and land with varying renewal privileges to various nonsignatory air carriers, concessionaires, and others. These leases, for periods ranging from 1 to 50 years, require the payment of minimum annual rentals. The following is a schedule by year of minimum future rentals on noncancellable operating leases, other than leases with signatory airlines, pursuant to long-term use agreements:

Year ending June 30:		
2006	$	20,367
2007		15,202
2008		15,520
2009		11,544
2010		6,693
2011 – 2015		19,113
2016 – 2020		5,121
2021 – 2025		3,587
2026 – 2030		3,562
2031 – 2035		3,206
Total minimum future rentals	$	103,915

The above amounts do not include contingent rentals that may be received under certain leases. Such contingent rentals amounted to $14,748 for the year ended June 30, 2005.

The Airport leases computer and other equipment and has service agreements under noncancelable arrangements that expire at various dates through 2008. Expenses for operating leases and service agreements were $1,207 for the year ended June 30, 2005. Future minimum payments (excluding payments for snow removal, which are not determinable) are as follows:

Year ending June 30:		
2006	$	134
2007		96
2008		85
Total minimum future rentals	$	315

(dollars in thousands)

c. Component Unit—SLDC

In December 1996, SLDC signed a five-year lease for office space, which commenced March 1997 with three months abated rent and thereafter, monthly base payments of $38 through February 2002. In January 2001, SLDC signed an agreement to extend the lease for 15 years. The new agreement, which increased the base rent to $47 and the leased space to 6,216 square feet, will end February 2017. SLDC also has sublease agreements with the Planning and Urban Design Development Agency (PDA) and CDA in effect through February 2017.

Future minimum base rents under the terms of the lease agreements, net of sublease rents anticipated from CDA and PDA, are as follows:

Year ending June 30:	
2006	$ 255
2007	255
2008	255
2009	255
2010	255
2011 – 2015	1,428
2016 – 2017	502
	$ 3,205

Rent expenditures, net of $422 in rents received, were $294 during the year ended June 30, 2005.

Additionally, at June 30, 2005, SLDC was committed for approximately nine years under an original 25-year operating lease with the City, which requires annual rental payments of $1 (in dollars) for certain property. Under the lease agreement, SLDC shall make improvements to the leased premises and award subleases for all or a portion of the leased premises.

(dollars in thousands)

21. INTERFUND BALANCES

Individual fund interfund receivable and payable balances as of June 30, 2005 are as follows:

Receivable Fund	Payable Fund	Amount
General fund	Special revenue—grants fund	$ 7,532
	Other governmental nonmajor funds	110
	Enterprise:	
	Airport	1,579
	Water Division	834
	Parking Division	894
	Internal service funds	5,265
		16,214
Other governmental nonmajor funds	General fund	676
	Capital projects fund	219
	Other governmental nonmajor funds	1,085
		1,980
Internal service funds	General fund	327
	Enterprise:	
	Airport	1,599
	Water Division	1,713
	Parking Division	223
		3,862
		$ 22,056

All of these interfund balances are due to either timing differences or to the elimination of negative cash balances within the various funds. All interfund balances are expected to be repaid during the fiscal year ending June 30, 2006.

(dollars in thousands)

22. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2005 consisted of the following:

		Transfer To				
		General fund	Capital projects fund	Other Govern-mental Funds	Parking Division	Total
Transfer From	General fund	$ –	1,344	1,259	–	2,603
	Capital projects fund	1,570	–	–	–	1,570
	Other govern-mental funds	10,541	8,283	235	1,149	20,208
	Airport	5,570	–	–	–	5,570
	Water Division	2,555	–	–	–	2,555
	Parking Division	150	–	–	–	150
		$ 20,386	9,627	1,494	1,149	32,656

Interfund transfers were used to: (1) move revenues from the fund that ordinance or budget requires to collect them to the fund that ordinance or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance capital improvements and other funds in accordance with budgetary authorization, or (3) move revenues in excess of current year expenditures to other funds. Additionally, gross receipt payments from the Airport, the Water Division, and the Parking Division are handled as transfers from each respective enterprise fund to the general fund.

23. COMMITMENTS AND CONTINGENCIES

a. Grants

In connection with various federal, state, and local grant programs, the City is obligated to administer related programs and spend the grant moneys in accordance with regulatory restrictions and is subject to audit by the grantor agencies. In cases of noncompliance, the agencies involved may require the City to refund program moneys. Through June 30, 2005, claims have been made on the City to make refunds under certain programs and other programs are still open as to compliance determination by the respective agencies. In the opinion of City officials, settlement of these matters will not result in a material liability to the City.

b. Landfill Closure

Pursuant to the original agreement between the DNR and the City, the City will be closing the Hall Street Landfill. The property was a 47-acre demolition waste landfill located at 8700 Hall Street. The property is owned by SLDC. The City holds the operating permit and is responsible for the closing. In July 2001, the City entered into an irrevocable standby letter of credit in the amount of $4,174 with DNR as the beneficiary. DNR may draw upon that letter of credit to complete the closure if the City does not fulfill its obligations under the agreement. As of June 30, 2005, no amounts had been drawn against the letter of credit by DNR. At June 30, 2005, $243 has been recorded as a liability, which is an estimate of expenses the City will incur for closure and postclosure costs. Additionally, in January 2006 the City and DNR executed a revised agreement that will require the City to complete its landfill closure efforts by December 31, 2006 in order to avoid any further fines or penalties.

c. Commitments

At June 30, 2005, the City had outstanding commitments amounting to approximately $26,310, resulting primarily from service agreements.

Additionally, at June 30, 2005, the Airport had outstanding commitments amounting to approximately $118,892 resulting primarily from contracts for construction projects both related and unrelated to the W–1W expansion project.

d. American Airlines, Inc.

American Airlines, Inc. (American) represents the major air carrier providing air passenger service at the Airport. American provided 31% of the Airport's total operating revenues and 38% of total revenues from signatory air carriers for the fiscal year ended June 30, 2005. Airport accounts receivable at June 30, 2005 contained $(27) relating to amounts owed to the Airport by American. This amount includes $(3) of unbilled aviation revenues at June 30, 2005.

1) Decision by American to Reduce Operations at the Airport

On November 1, 2003, American's activities at the Airport were reduced as follows:

- The number of daily flights offered by American was reduced from 417 to 213.
- American discontinued nonstop flights to 25 cities.
- American reduced the number of gates that it operates at the Airport.

In order to address the significant decrease in aviation activity caused by American's decision, Airport management has developed a plan comprised of the following action steps:

Action steps for the current operations include the following:

- Effective November 1, 2003, the Airport has increased the airfield-landing rate from $2.45 to $3.40 (in dollars) per thousand pounds of landed weight. Effective July 1, 2004, the Airport increased the airfield landing rate again from $3.40 to $4.07 per thousand pounds of landed weight.
- The Airport reviewed its fiscal year 2005 operations and maintenance budget and identified annual reductions totaling $7,000, consisting of eliminating 105 personnel positions ($5,000) and reductions of various non-personnel expenses ($2,000).
- The Airport reevaluated its five-year capital improvement program and deferred $90,000 of improvements originally scheduled to be made in fiscal year 2004.
- The Airport developed a marketing campaign to aggressively pursue new service from existing or new airlines. As of August 2004, the Airport has successfully secured 55 additional flights from both existing and new carriers, and obtained nine flight upgrades.

Action steps for Phase I of the Airport development program include:

- The Airport reevaluated its Phase I of the Airport Development Program, which resulted in the deferral of approximately $85,000 in expenses.
- The Airport secured increased funding totaling $85,000 with the Federal Aviation Administration in the Airport's current Letter of Intent (LOI) funding. The increased funding is comprised of $50,000 for construction, $20,000 for noise abatement, and $10,000 advanced LOI funding.

No assurance can be given as to the levels of aviation activity that will be achieved at the Airport in future fiscal years. Future traffic at the Airport is sensitive to a variety of factors including: (1) the growth in the population and the economy of the area served by the Airport; (2) national and international political and economic conditions, including the effects of the terrorist attacks of September 11, 2001, or any future attacks; (3) air carrier economics and air fares; (4) the availability and price of aviation fuel; (5) air carrier service and route networks; (6) the capacity of the air traffic control system; and (7) the capacity of the Airport/airways system.

The level of aviation activity at the Airport can have a material impact on the amount of total revenues generated at the Airport. However, Airport management believes the decline in Airport revenues is mitigated by the Airport use agreement, concession agreements, and other leases, which contain minimum annual revenue guarantees.

Use Agreement with American

In 1993, the City purchased from Trans World Airlines, Inc. (TWA) all of TWA's leasehold interests relating to the use of certain gates, terminal support facilities, air cargo facilities, and improvements at the Airport, together with related personal property and leasehold interest in a hangar, office building, and a flight training facility (Purchased Assets). TWA had a month-to-month lease covering the Purchased Assets with automatic renewals through December 31, 2005. In conjunction with the sale of TWA's assets to American on April 9, 2001, American assumed TWA's obligations under the lease agreement.

Under the lease agreement, if during any month American has an average of less than 190 regularly scheduled departures, the City has a right to reclaim and redesignate the use of the gates and terminal support facilities and equipment to other airlines so that American would retain only the number of gates that represents an average of 3.33 daily flight departures per gate. Also, under the lease agreement, if American fails to make a payment of any rents, fees, or charges, the City may terminate all of American's airport agreements and retain ownership of all assets acquired under the purchase transaction.

Lease revenue under the agreement was $7,607 for the year ended June 30, 2005.

e. Airport Expansion

On September 30, 1998, the City received a favorable Record of Decision from the FAA for the W–1W expansion of the Airport, marking the beginning of a new economic era for aviation in St. Louis. The proposed $2.6 billion program will provide the building blocks for a highly competitive "world class" aviation system for the 21st century, including one additional 9,000 foot parallel runway to add capacity in all weather conditions, and renovation of the Airport's existing runway and taxiway system.

The construction for this program will be funded with Airport development funds, passenger facilities charges, FAA improvement program grants, and Airport revenue bonds. During fiscal year 2001, the Series 2000 LOI Double Barrel Revenue Bonds and the Series 2001A Airport Revenue Bonds were issued as part of the overall funding plan for this program. During fiscal year 2003, the Series 2002 Airport Revenue Bonds and Series 2003A Airport Revenue Refunding Bonds were issued to refinance the Series 2000 LOI Double Barrel Revenue Bonds and to provide additional financing for the project.

Lawsuits previously filed by the cities of St. Charles and Bridgeton, Missouri challenging the project have been adjudicated and fully reviewed by the appellate courts. In both cases, final judgments were rendered in favor of the City and the Airport.

Land acquisition activities relative to the expansion project are underway with approximately 1,937 parcels to be acquired. As of August 1, 2005, 1,782 offers have been extended; of these, 1,735 offers have been accepted; of these, 1,695 real estate transactions have been closed; of these, 1,638 properties have been vacated by the sellers and are in the possession of the Airport; and of these, 1,508 homes have been demolished.

Additionally, the Airport has entered into various construction contracts related to the expansion project.

f. Asbestos Removal

The Water Division has identified certain of its structures as having asbestos in place. As part of its continuing process of upgrading facilities, the costs for removal of the asbestos material and restoration or replacement of the affected areas are being included in budgets for capital projects. No mandatory time requirement is in effect. The removal plan would be accelerated by changes in plans for remodeling, if any.

g. Component Unit—SLDC

In the normal course of its operations, certain lawsuits and legal action are pending against SLDC. In the opinion of SLDC officials and legal counsel, these items are not expected to have a material effect, individually or in the aggregate, upon the financial position or the results of operations of SLDC.

In addition, certain properties held for development may be subject to future environmental remediation costs. In the opinion of SLDC officials, these costs would not have a material adverse effect upon the financial position or the results of operations of SLDC.

SLDC has entered into various cooperative agreements with the CDA as a subrecipient/administrator of the Community Development Block Grant Programs.

SLDC has been awarded federal tax credits through the U.S. Department of Treasury’s New Markets Tax Credit Program to support $52,000 in private investments in low-income areas. No funds have been disbursed related to these tax credits as of June 30, 2005.

h. Component Units—SLDC and SLPD

SLDC and SLPD receive financial assistance from several federal, state, and local government agencies in the form of grants and contracts. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the contract and grant agreements and are subject to audit by the granting agencies. Any disallowed claims resulting from such audits could become an SLDC or SLPD liability. However, in the opinion of their respective management, any such disallowed claims will not have a material effect on the financial statements of SLDC or SLPD at June 30, 2005.

24. RISK MANAGEMENT

a. Primary Government

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is self-insured with respect to its obligation to provide workers' compensation, general liability, unemployment benefits, and prescription drug coverage. Effective February 1, 2003, the City became self-insured for property damage caused by garbage and refuse trucks. The City has sovereign tort immunity from liability and suit for compensatory damages for negligent acts or omissions, except in the case of injuries arising out of the operation of City motor vehicles or caused by the condition of City property. The maximum claim settlement established by state statute for such claims is $300 per person and $2,000 per occurrence. Various claims and legal actions involving the City are presently pending. Additionally, a number of legal suits against SLPD are presently pending for alleged wrongful personal injuries, civil rights violations, and negligence in the line of duty. The City's policy is to record these claims in its government-wide financial statements when it is probable that a liability has been incurred and the amount can be reasonably estimated.

For workers' compensation and general liability, the estimated liability for payment of incurred (both reported and unreported) but unpaid claims and claim adjustment expenditures of $17,217 at June 30, 2005, relating to these matters is recorded in the self insurance internal service fund—PFPC. The City obtains periodic funding valuations from a claims-servicing company managing the appropriate level of estimated claims liability. Enterprise funds reimburse PFPC on a cost-reimbursement basis.

The City was also self-insured for healthcare coverage for its employees and retirees through June 12, 2004 and June 30, 2004, respectively. The City was self-insured for healthcare coverage for employees of HSTRC and Tower Grove Park through June 30, 2004. Effective June 13, 2004 for employees of the City and July 1, 2004 for retirees and employees of HSTRC and Tower Grove Park, the City elected to purchase commercial insurance for its previously self-insured health insurance program. The City remains self-insured for the prescription drug coverage provided to employees and retirees. Additionally, the City is still self-insured for any healthcare claims that arise from incidents occurring prior to June 13, 2004 for employees and July 1, 2004 for retirees and employees of HSTRC and Tower Grove Park.

For the period the City was self-insured for healthcare coverage, it paid the cost of the lowest available coverage for all City employees. Employees were required to pay, through bi-weekly payroll deductions, for a higher level of care, if desired, or for coverage of a spouse and/or dependents. Retirees and employees of HSTRC and Tower Grove Park had to contribute a monthly amount to cover the cost of their healthcare if participating in the plan. During the self-insured period, all funding levels were actuarially determined at the start of the plan and reevaluated at the beginning of each fiscal year.

For healthcare coverage, the estimated liability for payment of incurred but unpaid claims and claim adjustment expenditures of $187 at June 30, 2005 relating to such matters is recorded in the self-insurance internal service fund—health.

(dollars in thousands)

The City maintains surety bonds on various employees that handle cash. In addition, the City purchases commercial insurance for other risks, including property damage and liability coverage applicable to the Airport and Cervantes Convention Center. There were no significant changes in coverage for the year ended June 30, 2005 and, for the years ended June 30, 2005, 2004, and 2003, settlements did not exceed coverage.

Changes in the self-insurance claims liability for the years ended June 30, 2005 and 2004 are as follows:

	Beginning balance	Current year claims and changes in estimates	Claim payments	Ending balance
2005	$ 15,713	19,730	(18,039)	17,404
2004	24,856	27,913	(37,056)	15,713

Additionally, there is a range of general liability claims outstanding, from $2,206 to $2,518, which the City Counselor's office has determined there is a reasonable possibility that a loss contingency may be incurred but no accrual has been made within the government-wide financial statements or fund financial statements because the loss is not both probable and estimateable.

b. Component Unit—SLPD

SLPD is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. A number of legal suits against SLPD are presently pending for alleged wrongful personal injuries, civil rights violations, and negligence in the line of duty.

Prior to Janury 11, 2005, SLPD was covered by PFPC for certain self-insured risks (most general liability and various other claims and legal actions). Accounting for and funding of these self-insured risks was generally covered by the City. On January 11, 2005, the Court of Appeals for the State of Missouri affirmed that under Missouri State Statutes, Chapter 84, SLPD is an agency of the state. As an agency of the state, SLPD is covered by the State of Missouri's legal expense fund for most general liability and various other claims and legal actions.

SLPD has established a risk management program and retains the risk related to workers' compensation. At June 30, 2005, these liabilities amounted to $45,968 for workers' compensation. Of SLPD's total worker's compensation liability, $36,509 has been accrued for benefits to be paid for long-term medical care for two officers seriously injured in the line of duty. Benefit payments for these two cases amounted to approximately $1,092 for the year ended June 30, 2005.

(dollars in thousands)

Changes in the balances of workers' compensation claims liabilities for the years ended June 30, 2005 and 2004 are as follows:

		Beginning balance	Current year claims and changes in estimates	Claim payments	Ending balance
2005	$	39,211	11,456	(4,699)	45,968
2004		24,778	19,849	(5,416)	39,211

25. GRANT LOAN PROGRAMS

The City's general fund and grants fund include the activities of the CDA that, among other activities, makes loans to developers under the Housing Implementation Program. This program, which is administered for the City by certain financial institutions, provides funds to rehabilitate housing units for low- and moderate-income families. These loans typically are noninterest bearing, due in 25 years, and secured by a second deed of trust. CDA also made loans under the Urban Development Action Grant (UDAG) program to assist organizations with development projects within the City. These loans typically have a lower-than-market interest rate and payback periods ranging from 10 to 40 years after completion of the projects.

Any funds received from the repayments of these loans are to be spent by the City in accordance with Community Development Block Grant program regulations. Since repayment of the loans is dependent on the success of projects that involve considerable risk, collectibility is not assured, and accordingly, the City reflects these loans as an expenditure of the grants fund in the year the loans are made. Any loan repayments are reflected as intergovernmental revenue (or deferred revenue if moneys have not been spent) in the year of receipt.

26. COMPONENT UNIT—SLDC CONDUIT DEBT

SLDC facilitates the issuance of tax-exempt bonds for various private enterprises and government agencies. After the bonds are sold, the proceeds are typically used to purchase real estate or fund capital improvements for the respective organization. These organizations enter into lease agreements with SLDC that are, in substance, sales of the related properties or improvements. SLDC assigns these leases to various trusts that collect the lease payments to satisfy the debt service requirements. After SLDC assigns the leases to the trusts, the properties are no longer under their control and they have no liability for the bonds. Therefore, transactions related to the leases and the bond liability are not presented in SLDC's financial statements. The amount of tax-exempt bonds outstanding at June 30, 2005 could not be determined; however, the original issue amounts totaled approximately $1.8 billion (in dollars).

27. TRANSPORTATION DEVELOPMENT DISTRICT

In August 2003, the City and a hotel developer entered into an agreement for the creation of a transportation development district (TDD). The TDD is a separate political subdivision of the State. Its boundaries coincide with the property upon which the hotel developer is constructing a new 206-room hotel and 415-car garage. During 2005, the TDD issued $6,350 in TDD obligations to finance this construction. The TDD has the authority to levy a 1% sales tax within the district in order to repay this debt, which the City collects on behalf of the TDD and remits to the TDD. Since the TDD obligations were issued in the name of the TDD, and the 1% sales tax which will finance these obligations is levied under the authority of the TDD, these TDD obligations are not recorded as a liability within the accompanying financial statements.

Additionally, the City has agreed to pledge 75% of the City tax revenues generated within the district to the TDD in exchange for the TDD's pledge to leave at least 200 of the spaces in the parking garage available for public use.

28. SUBSEQUENT EVENTS

a. Tax and Revenue Anticipation Notes

The City issues tax and revenue anticipation notes in advance of property tax collections, depositing the proceeds in its general fund. In July 2005, the City issued $45,000 in Tax and Revenue Anticipation Notes payable from the general fund. The notes mature on June 30, 2006 and bear interest at a rate of 4.00% per year.

b. Issuance of Justice Center Leasehold Revenue Refunding Bonds Series 2005

On August 17, 2005, the SLMFC issued Justice Center Leasehold Revenue Refunding Bonds Series 2005 in the amount of $15,485. The proceeds are being issued to refund the Justice Center Leasehold Revenue Bonds Series 2000A. The Series 2005 bonds are due in installments through February 2020.

c. Issuance of Airport Revenue Refunding Bonds Series 2005

On July 7, 2005, the Airport issued $263,695 in Series 2005 Airport Revenue Refunding bonds that, together with other Airport funds, were used to advance refund $273,955 of Series 1997A, Series 2001A, and Series 2002A revenue bonds. The Series 2005 bonds mature in installments from 2014 to 2032 and bear interest at rates varying between 4.00% and 5.50%.

d. Airport Commercial Paper

On August 16, 2005, the Airport issued $1,000 in Series 2004A Commercial Paper Notes, due November 2, 2005, at an annual interest rate of 2.75% for the purpose of financing the cost of extension, improvement, purchase, acquisition, construction, and enlargement of facilities, appurtenances, and equipment at the Airport.

e. Tax Increment Revenue Notes

Subsequent to June 30, 2005, the City issued tax increment revenue notes totaling $10,715 with interest rates ranging from 5.5% to 7.5%.

f. Rolling Stock

On September 30, 2005, the City amended its capital lease agreement to increase the capital lease by $942 in order to finance the acquisition of additional rolling stock. This portion of the capital lease is due in semi-annual installments from 2006 through 2009 with an annual interest rate of 3.90%.

g. Dissolution of SLMFC—II

On November 1, 2005, the Secretary of State for the State of Missouri issued a Certificate of Termination for the St. Louis Municipal Finance Corporation II(SLMFC—II) to the City upon the City's execution of Articles of Termination. This Certificate of Termination administratively dissolved the SLMFC—II on that date.

h. SLPD Claims Liability

On August 28, 2005, Missouri legislation became effective modifying the coverage provided to the SLPD by the State for general liability and various other claims and legal actions. State of Missouri Senate Bill No. 420 provides that the State is liable annually for funding general liability claims on an equal share basis per claim with the PFPC, up to a maximum of $1,000. SLPD is covered by PFPC for most general liability and various other claims and legal actions exceeding the limitations set forth by the enacted legislation.

29. FUTURE ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, establishes accounting and financial reporting standards for impairment of capital assets and also clarifies and establishes accounting requirements for insurance recoveries. This statement will be effective for the City for the fiscal year ending June 30, 2006. Management of the City has not yet completed its assessment of the statement.

GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension Plans*, establish accounting and financial reporting standards for postemployment benefits other than pensions. As part of a total compensation package, many governments offer postemployment benefit plans other than pensions such as healthcare, life insurance, and so forth. GASB Statement No. 43 establishes uniform financial reporting standards for other postemployment benefit (OPEB) plans and applies to OPEB trust funds included in the financial reports of plan sponsors or employers, as well as in stand-alone financial reports. GASB Statement No. 45 establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local government employers. GASB Statement No. 43 will be effective for the City for the fiscal year ending June 30, 2007, and GASB Statement No. 45 will be effective for the City for the fiscal year ending June 30, 2008. Management of the City has not yet completed its assessment of the statement.

GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*, revises the requirements of the statistical section of the Comprehensive Annual Financial Report (CAFR) to provide more uniform requirements for the statistical schedules required, to indicate how the schedules apply to various types of governmental entities, and to update the schedules to address the new information required by GASB Statement No. 34. This statement will be effective for the City for the fiscal year ending June 30, 2006. Management of the City has not yet completed its assessment of the statement.

GASB Statement No. 46, *Net Assets Restricted by Legislation*, clarifies that a legally enforceable enabling legislation restriction is one that a party external to the government—such as citizens, public interest groups, or the judiciary—can compel a government to honor. This may impact the extent to which governments report net assets as restricted. This statement will be effective for the City for the fiscal year ending June 30, 2006. Management of the City has not yet completed its assessment of the statement.

GASB Statement No. 47, *Accounting for Termination Benefits*, provides accounting and reporting guidance for entities that offer benefits such as early retirement incentives or to employees who are involuntarily terminated. The statement is intended to enhance both the consistency of reporting for termination benefits and the comparability of financial statements by requiring that similar forms of termination benefits be accounted for in the same manner. This statement will be effective for the City for the fiscal year ending June 30, 2006. Management of the City has not yet completed its assessment of the statement.